

For: State and County Offices

**Transition From Agricultural Market Transition Act (AMTA)
to Direct and Counter-Cyclical Program (DCP) and Successions-in-Interest**

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

Section 1107 (b) of the Farm Security and Rural Investment Act of 2002 (the Act) specifies that if a producer receives all or any portion of the payment authorized for FY 2002 under a Production Flexibility Contract (PFC), the DCP direct payment otherwise due the producer for the 2002 crop year shall be reduced by the amount of the FY 2002 payment received by the producer under PFC.

Many questions have been raised about:

- transition from AMTA to DCP
- how successions-in-interest to CCC-478's shall be handled by County Offices
- effect of successions-in-interest on PFC and DCP payments.

B

Purpose

This notice:

- reiterates who shall make the base and yield election for enrollment into 2002 DCP
- provides general guidance on the transition from PFC to DCP
- describes various PFC succession situations and the impacts on PFC, based on current PFC policy in 1-PF, and DCP
- advises County Offices of the action that shall be taken to ensure that the system is updated properly so that FY 2002 PFC and 2002 DCP direct payments are issued properly
- provides examples of various PFC succession situations.

Disposal Date	Distribution
June 1, 2003	State Offices; State Offices relay to County Offices

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2 General Provisions

A

Base and Yield Elections

The base and yield election shall be made by the current owner at the time the base and yield election for enrollment in DCP is made. In some cases, the current owner of the farm may not be eligible to participate in 2002 DCP depending on when the owner purchased the farm.

If the FSA record for the farm shows a different owner than is being reported by someone, COC shall require sufficient documentation to establish the correct farm ownership.

B

Transition to DCP

Both the FY 2002 PFC and the 2002 DCP contracts cover the same time period. In addition, the definition of an eligible producer and payment share rules are the same for both PFC and DCP. Therefore, with specific exceptions, the producers and shares on both the FY 2002 PFC and the 2002 DCP should be the same.

C

New or Increased Bases

As a basic rule, the FY 2002 PFC producers and the 2002 DCP producers should be the same. However, if **all** of the following apply, additional producers may be added to the DCP contract for a farm according to this subparagraph.

- A base was established for a crop that did not have PFC acres or the DCP base acres are for a crop higher than the PFC contract acres for that crop.
- A producer on non-PFC acres on the farm is a producer on the additional acres added under DCP.
- The new producer being added provides proof to COC that all producer eligibility requirements were met for FY 2002. Examples of proof include a lease and/or timely reported CCC-578 shares. Documentation must have been in existence on or before May 13, 2002, and cannot be created for eligibility purposes.

COC must determine that:

- definition of a producer was met for 2002 before approving the contract
 - provisions for payment division have been met according to 1-DCP.
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2 General Provisions (Continued)

D

PFC Successions-in-Interest

There are a variety of situations where producers succeeded to, or should have succeeded to, CCC-478 for FY 2002 PFC. These situations are outlined in greater detail in the remainder of this notice. See paragraph:

- 3 for additional information about successions-in-interest that were reported by August 1, 2002
 - 4 for additional information on situations involving deceased producers that were not reported by August 1, 2002
 - 5 for additional information about entities that are dissolved after August 1, 2002, and before enrollment into 2002 DCP
 - 6 for additional information about land sales occurring after August 1, 2002
 - 7 for additional information about successions-in-interest that were not reported by August 1, 2002.
-

E

Increasing “Persons” Under DCP

The amount of 2002 direct and counter-cyclical payments for a farm shall not exceed the maximum amount that would have been paid based on the number of “persons”, determined according to 1-PL, on the farm as of May 13, 2002.

Note: If the number of “persons” on a farm for FY 2002 increased after May 13, 2002, individuals, entities, and/or members of entities shall be combined as 1 “person” for FY 2002 to ensure that the payments issued do not exceed what could have been issued based on the “person” as of May 13, 2002.

Example 1: Producer A had 100 percent of all PFC contract acres on FSN 1 for FY 2002. Producer B planted soybeans on non-contract acres and was on the farm before May 13, 2002. The bases and yields are updated to add soybeans to the farm for DCP purposes.

In this case, the number of “persons” did not increase after May 13, 2002, because both Producer A and Producer B were on the farm before May 13, 2002. Therefore, unless other provisions requiring combination of the producers apply, these producers would be considered separate “persons” for FY 2002.

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2 General Provisions (Continued)

E
Increasing
“Persons” Under
DCP
(Continued)

Example 2: Producer X had 100 percent interest in all acreage on FSN 100 before May 13, 2002. Under DCP, the owner elects to increase the upland cotton acreage based on planting history. Producer Y is added to both of the following after May 13, 2002:

- farm
- PFC contract with 50 percent interest in all crops.

Note: A partial succession-in-interest was recorded.

In this case, Producer X and Producer Y shall be combined for DCP purposes because Producer Y was not on the farm before May 13, 2002. Total DCP payments issued for 2002 shall not exceed the effective payment limitation for 1 person for the county.

Example 3: ABC Partnership has:

- 2 members, each with a 50 percent interest in the partnership
- 2 “persons” eligible for payment
- 100 percent interest in FSN 200.

ABC Partnership chooses to update the bases and yields, resulting in a calculated DCP payment totaling \$100,000 for all crops on the farm. After May 13, 2002, ABC Partnership adds 2 additional members to the partnership, with each of the 4 members now having a 25 percent interest in the partnership.

In this case, the 2 new members of the partnership shall be combined with the existing members of the partnership to ensure that payments are limited to 2 “persons”.

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3 PFC Successions Reported by August 1, 2002

A Policy

The PFC succession-in-interest provisions have not changed with implementing the provisions of the Act. However, it is critical that the system is updated properly to ensure that 2002 DCP payments are calculated accurately.

This paragraph covers successions-in-interest that occurred to CCC-478 and **all** the following conditions exist:

- the succession was reported timely by either the predecessor or successor
 - all producers on CCC-478 signed the revised CCC-478 by August 1, 2002
 - predecessor received 50 percent or 100 percent of the FY 2002 PFC payments.
-

B Updating the System

The following actions should have been taken at the time the PFC succession was reported.

If these actions have not been taken, County Offices shall **immediately** record the succession-in-interest according to the followings table if the predecessor received any portion of the FY 2002 PFC payments on the farm.

Step	Action	Reason for Action
1	Add successors to the farm for 2002 according to 3-CM, Part 9. Note: Farm maintenance is currently disabled. The software will be re-enabled when County Release No. 498 is installed.	Required before the successor can be added to the automated CCC-478.
2	Update the automated FY 2002 CCC-478 with the applicable shares for all producers on the contract according to 1-PF, Part 7.	To allow a succession-in-interest to be recorded from the predecessor to the successor to ensure that DCP payments are issued correctly.

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3 PDC Successions Reported by August 1, 2002 (Continued)

B
Updating the
System
(Continued)

Step	Action		Reason for Action
3	IF the predecessor...	THEN...	
	has not voluntarily refunded FY 2002 PFC payments received	record the payment succession-in-interest according to 2-PF, Part 12.	To ensure that additional FY 2002 PFC payments are computed properly for successors to CCC-478.
	has voluntarily refunded the FY 2002 PFC payments received	<ul style="list-style-type: none"> • establish a receivable for the predecessor for the amount of the refund • apply the refund to the receivable according to 67-FI. 	
4	Ensure that the CCC-478 COC payment approval date is recorded in the system.		

C
Effect on DCP

If successors to CCC-478 enroll the farm into 2002 DCP, then payments will be computed for producers on the DCP contract based on 2002 DCP final direct payment rates minus FY 2002 PFC payments for the farm and crop:

- issued to the producer
- attributed to the producer through a PFC succession-in-interest.

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3 PDC Successions Reported by August 1, 2002 (Continued)

D

Example 1

Predecessor A has 100 percent interest in wheat on FSN 1 and elected to receive 50 percent of the FY 2002 PFC payment totaling \$500. Successor B:

- timely succeeds to 100 percent of CCC-478 on FSN 1 for wheat
- enrolls FSN 1 in 2002 DCP.

County Offices should have completed the following action for PFC by September 30, 2002.

Step	Action
1	Added Successor B to the farm for 2002 according to 3-CM, Part 9.
2	Updated the FY 2002 CCC-478 to reflect the share change from Predecessor A to Successor B.
3	Recorded a full succession-in-interest so that the \$500 payment issued to Predecessor A is attributed to Successor B.
4	Issued the \$500 balance of the FY 2002 PFC wheat payment to Successor B by September 30, 2002.

Based on the 2002 final DCP payment rate for wheat, FSN 1 is earning \$1,128. Successor B's 2002 DCP payments will be reduced and issued according to the following table.

Note: Predecessor A is not affected by the enrollment of the farm into 2002 DCP because a timely succession occurred under PFC.

Step	Action	Example
1	Determine the final 2002 DCP payment for Successor B for the farm, crop, and producer.	\$1,128
2	Determine the FY 2002 PFC amount issued to Successor B for the farm and crop under PFC.	- \$500
3	Determine the FY 2002 PFC succession amount attributable to Successor B for the farm and crop.	- \$500
4	Determine the net 2002 DCP calculated payment by subtracting the following: <ul style="list-style-type: none"> • result of step 1 • result of step 2 and step 3. 	\$128

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3 PFC Successions Reported by August 1, 2002 (Continued)

E

Example 2

Producer C has 100 percent interest in all crops on FSN 600 and elected to receive 100 percent of the FY 2002 PFC payments. Producer D then succeeds to 100 percent interest in CCC-478 before August 1, 2002.

Producer C voluntarily refunded the payments that were issued so that Producer D could receive the FY 2002 PFC payments.

County Offices should have completed the following action for PFC by September 30, 2002.

Step	Action
1	Canceled the succession-in-interest, if applicable, so that the receivable(s) can be established for Producer C.
2	Established a receivable for Producer C for all crops on FSN 600.
3	Recorded a receivable collection using the refund received from Producer C.
4	Issued the FY 2002 PFC payments to Producer D before September 30, 2002, if Producer D met all program eligibility requirements.

Under DCP, Producer D is eligible to receive the final 2002 DCP direct payment minus the FY 2002 PFC payments that were issued to Producer D, provided that Producer D:

- enrolls the farm in DCP for 2002
 - meets all program eligibility requirements.
-

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4 CCC-478's Involving Deceased Producers

A Policy

Some cases have been reported of producers that met the definition of a producer for 2002 but died before a DCP contract was signed. In these cases, the contract can be signed by a duly authorized representative of the deceased producer.

Generally in cases of deceased producers, 2002 DCP payments shall be issued to:

- the deceased producer, provided **both** of the following are applicable:
 - an authorized representative has authority to sign for the deceased producer
 - a formal estate has not been established
- the estate
- heirs of the estate, if the estate has been settled.

This paragraph:

- outlines situations involving deceased producers
 - involves deceased producer situations that **were not reported to the County Office by August 1, 2002.**
-

B Estate Has Not Been Established

If a formal estate has not been established for a deceased producer, payment may be issued to the deceased producer's identification number provided **all** of the following provisions are met:

- the farm is enrolled in 2002 DCP
- an authorized representative has authority to sign the DCP contract on behalf of the deceased producer
- all program eligibility requirements have been met.

The deceased producer shall be a producer on the DCP contract and the contract shall be approved provided all program eligibility requirements are met.

2002 DCP payments for the deceased producer shall be reduced by the amount of the FY 2002 PFC payments that were issued to the deceased producer.

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4 CCC-478's Involving Deceased Producers (Continued)

C

Estate Has Been Established But Not Settled

2002 DCP payments shall be issued to the estate for the deceased producer on CCC-478, provided **all** of the following conditions exist:

- a permanent tax ID number has been obtained for the estate
- farm is enrolled in 2002 DCP
- deceased producer met the definition of a producer for 2002
- all program eligibility requirements have been met.

County Offices shall take the following action to ensure that DCP payments are issued properly.

Step	Action		Reason for Action
1	Add estate to the farm for 2002 according to 3-CM, Part 9. Note: Farm maintenance is currently disabled. The software will be re-enabled when County Release No. 498 is installed.		Required before the estate can be added to the automated CCC-478.
2	Add the estate to the automated FY 2002 CCC-478 with the applicable shares for the deceased producer according to 1-PF, Part 7. Note: A signature is not required for the estate on CCC-478.		To allow a succession-in-interest to be recorded from the deceased producer to the estate to ensure that DCP payments are issued correctly.
3	IF the FY 2002 PFC payments were...	THEN...	
	issued to the deceased producer	record a succession-in-interest from the deceased producer to the estate.	To ensure that 2002 DCP payments are reduced by the amount of the FY 2002 PFC payments that were issued to the deceased producer.
	not issued to the deceased producer	no action is necessary.	
4	If the farm is enrolled in 2002 DCP, the estate shall be added to the DCP contract with shares reflecting the deceased producer's interest in the FY 2002 CCC-478. Note: An authorized representative of the estate is required to sign the DCP contract.		2002 DCP payments will be reduced by the amount of the FY 2002 PFC payments attributed to the estate through a succession-in-interest, if applicable.

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4 CCC-478's Involving Deceased Producers (Continued)

D

Estate Has Been Settled 2002 DCP payments shall be issued to the heirs of an estate if **both** of the following conditions exist:

- the estate, either formal or informal, is settled after August 1, 2002
- deceased producer met the definition of a producer for 2002.

County Offices shall take the following action to ensure that DCP payments are issued properly.

Step	Action	Reason for Action
1	Add the heirs to the farm for 2002 according to 3-CM, Part 9. Note: Farm maintenance is currently disabled. The software will be re-enabled when County Release No. 498 is installed.	Required before the heirs can be added to the automated CCC-478.
2	Add the heirs to the automated FY 2002 CCC-478 according to 1-PF, Part 7 with the applicable share for each heir's percentage of the deceased producer's share in the crop(s). Note: A signature is not required from the heirs on CCC-478.	To allow a succession-in-interest to be recorded from the deceased producer, or estate, to the heirs to ensure that DCP payments are issued correctly.

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4 CCC-478's Involving Deceased Producers (Continued)

**D
Estate Has Been
Settled
(Continued)**

Step	Action		Reason for Action
3	IF FY 2002 PFC payments were...	THEN...	
	<ul style="list-style-type: none"> • issued to the deceased producer, and • a succession-in-interest was recorded from the deceased producer to the estate 	<ul style="list-style-type: none"> • cancel the succession-in-interest from the deceased producer to the estate • record a succession-in-interest from the deceased producer to each of the heirs 	To ensure that 2002 DCP payments are reduced by the amount of the FY 2002 PFC payments that were issued to the deceased producer or the estate.
	issued to the estate	record a succession-in-interest from the estate to the heirs.	
	not issued to the deceased producer or the estate	no action is necessary.	
4	<p>If the farm is enrolled under 2002 DCP, the heirs shall be added to the DCP contract with shares reflecting the deceased producer's, or estate's, interest in the FY 2002 CCC-478.</p> <p>Note: Signatures of the heirs are required on the DCP contract.</p>		The 2002 DCP payments will be reduced by the amount of the FY 2002 PFC payments attributed to the heirs through a succession-in-interest, if applicable.

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5 CCC-478's Involving Dissolved Entities

A

Policy

In some cases, an eligible entity for FY 2002 PFC may be dissolved before the farm is enrolled in 2002 DCP. In these cases, **all** members of the entity must sign the DCP contract if the farm is enrolled in 2002 DCP.

Reminder: After May 13, 2002, the number of “persons” cannot increase from the number in the original entity. Therefore, members **may need to be** combined for FY 2002.

B

Updating the System

County Offices shall take the following action to ensure that DCP payments are issued properly.

Step	Action	Reason for Action
1	Add the members of the dissolved entity to the farm for 2002 according to 3-CM, Part 9. Note: Farm maintenance is currently disabled. The software will be re-enabled when County Release No. 498 is installed.	Required before the members can be added to the automated CCC-478.
2	Add the members of the dissolved entity to the automated FY 2002 CCC-478 according to 1-PF, Part 7 with the applicable share for each member’s interest in the entity for each crop. Note: A signature is not required from the members on CCC-478.	To allow a succession-in-interest to be recorded from the dissolved entity to the members to ensure that DCP payments are issued correctly.
3	IF FY 2002 PFC payments were...	THEN...
	issued to the dissolved entity	record a succession-in-interest from the entity to the members.
	not issued to the dissolved entity	no action is necessary.
4	If the farm is enrolled under 2002 DCP, the members of the dissolved entity shall be added to the DCP contract with shares reflecting: <ul style="list-style-type: none"> • each member’s interest in the entity • entity’s interest in FY 2002 CCC-478. Note: Signatures for each of the members are required on the DCP contract.	

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6 Sales of Land That Occur After August 1, 2002

A

Introduction

Land sales that occur after August 1, 2002, may or may not affect the 2002 DCP contract depending on whether the interest in the crop on PFC acres was included in the sale of the land. If the interest in the crop was:

- included in the sales agreement, then the new owner is eligible to participate under 2002 DCP if the definition of a producer is met for 2002
- not included in the sales agreement, then the original owner is eligible to participate under 2002 DCP.

This paragraph outlines the 2 situations that may result from sales of land effective after August 1, 2002.

B

Interest In Crop Purchased

For cases where land is sold after August 1, 2002, the new owner of the land is entitled to participate in 2002 DCP and receive payments provided all the following conditions exist:

- the interest in the crop on PFC acres was part of the purchase agreement and the owner met the definition of a producer for 2002
- farm is enrolled in 2002 DCP
- all program eligibility requirements are met.

County Offices shall take the following action to ensure that PFC and DCP payments are issued properly.

Step	Action	Reason for Action
1	Add the new owner to the farm for 2002 according to 3-CM, Part 9. Note: Farm maintenance is currently disabled. The software will be re-enabled when County Release No. 498 is installed.	Required before the new owner can be added to the automated CCC-478.
2	Add the new owner to the automated FY 2002 CCC-478 according to 1-PF, Part 7 with the applicable share for each crop. Note: A signature is not required from the buyer on CCC-478.	To allow a succession-in-interest to be recorded from the original owner to the new owner to ensure that DCP payments are issued correctly.

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6 Sales of Land That Occur After August 1, 2002 (Continued)

**B
Interest In Crop
Purchased
(Continued)**

Step	Action		Reason for Action
3	IF FY 2002 PFC payments were...	THEN...	
	issued to the original owner	record a succession-in-interest from the original owner to the new owner.	To ensure that 2002 DCP payments are reduced by the amount of the FY 2002 PFC payments that were issued to the original owner.
	not issued to the new owner	no action is necessary.	
4	If the farm is enrolled under 2002 DCP, the new owner of the land shall be added to the DCP contract with shares reflecting their interest after the sale of the land. Note: See 1-DCP for division of payment rules.		The DCP 2002 payments will be reduced by the amount of the FY 2002 PFC payments attributed to the new owner through a succession-in-interest, if applicable.

**C
Interest In Crop
Not Purchased**

For cases where land is sold after August 1, 2002 **only**, the original producers on the farm are entitled to participate in 2002 DCP and receive payments provided all the following conditions exist:

- an interest in the crops on PFC acres was **not** part of the purchase agreement
- farm is enrolled in 2002 DCP
- all program eligibility requirements are met
- the new owner makes the base/yield election.

Reminder: Even though the new owner is not entitled to participate under 2002 DCP, the new owner shall make the base/yield election.

The original producers shall be included on the DCP contract if the farm is enrolled in 2002 DCP. 2002 DCP payments will be reduced by the amount of the FY 2002 PFC payments that were issued to the original producers.

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7 Successions Not Reported By August 1, 2002

**A
Policy**

Existing 1-PF policy provides that CCC-478 shall not be approved for payment unless all signatures are obtained by August 1 of the applicable fiscal year. This provision continues to apply for FY 2002. Therefore, if a succession-in-interest was not reported by August 1, 2002, the following applies to PFC and DCP.

- The farm is not eligible for PFC payments for the affected fiscal year.
- Repayment shall be demanded for all PFC payments issued during FY 2002 to all producers on CCC-478, regardless of whether they were directly involved in the succession.
- The farm can be enrolled in 2002 DCP, however the DCP contract **shall not be approved** for payment until all PFC payments are entirely refunded for all producers on the farm.

Exception: This paragraph does not apply to cases involving deceased producers, dissolved entities, and land sales. See paragraphs 4 through 6 for information on these situations.

**B
Updating the
System for PFC**

County Offices shall take the following action.

Step	Action
1	Remove the COC payment approval date from the automated CCC-478, according to 1-PF, paragraph 565.
2	Compute overpayments for all producers on the farm according to 2-PF, paragraph 221.
3	Transfer the overpayments for each producer on the farm to the common receivable system according to 2-PF, paragraph 224.
4	Initiate debt collection procedures by notifying the producers of the debt according to 58-FI and 67-FI.
5	Only after all FY 2002 PFC payments are refunded , the COC shall approve the CCC-509 and the COC payment approval date shall be entered in the system.

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7 Successions Not Reported By August 1, 2002 (Continued)

C

Effect on DCP

The farm can be enrolled in DCP, however the 2002 DCP contract **shall not** be approved for payment until **all** PFC payments are entirely refunded for all producers on the farm.

County Offices shall manually monitor collection of the FY 2002 PFC receivables/claims to determine when all PFC payments have been refunded. Once the FY 2002 PFC payments issued on the farm are entirely refunded, the DCP contract shall be approved for payment by COC provided all other program eligibility requirements have been met.
