

For: State and County Offices

Dairy Margin Coverage (DMC) Retroactive Intergenerational Transfers

Approved: Deputy Administrator, Farm Programs



1 Overview

A Background

For the 2019 and 2020 DMC enrollment periods, FSA is implementing a 1-time retroactive intergenerational transfer option for eligible participating dairy operations where a family member joined the dairy operation and cows were purchased to increase herd production during 2014 through 2019.

An intergenerational transfer is a 1-time opportunity for a dairy operation participating in DMC to increase production history. The intergenerational transfer allows a lineal descendant family member who has joined the dairy operation, and who has purchased additional cows for the dairy farm, to increase the dairy operation’s production history proportionate with the number of cattle added if all program requirements are met.

For dairy operations to be eligible for an intergenerational transfer, all program requirements must be met for the application to be reviewed and approved by FSA.

B Purpose

This notice provides State and County Offices with:

- intergenerational transfer policy clarifications
- retroactive intergenerational transfer policy and procedure.

C Contact

State Offices may direct questions about this notice to either of the following.

Contact	Telephone Number	E-Mail Address
Douglas E. Kilgore	202-720-9011	douglas.e.kilgore@usda.gov
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Disposal Date	Distribution
March 1, 2020 9-20-19	State Offices; State Offices relay to County Offices

2 Intergenerational Transfer Policy

A Intergenerational Transfers

Dairy operations may increase their CCC-approved production history for an intergenerational transfer when any of the following lineal descendants or their spouse joins a participating dairy operation:

- son
- daughter
- grandchild
- adopted child.

Note: A production history increase will **not** be eligible for an intergenerational transfer when nonlineal relatives such as siblings, cousins, nieces, or nephews join the dairy operation.

Multiple family members joining a dairy operation are considered as 1 family member for the purposes of intergenerational transfer requests.

B Intergenerational Transfer Date of Entering Business

For processing intergenerational transfers, FSA will need the start date the new member joined the dairy operation. If the new member is part of a legal entity or legal business, the date the new member entered the business is needed, according to the legal documents, to process the intergenerational transfer request.

The new member will provide information to document ownership and participation in the dairy operation, which may include a legal business agreement for an LLC, joint venture, etc.

When no business documents are on file, a new member must provide documentation of joining the operation and of having an ownership and participating interest in the dairy operation to COC's satisfaction.

Note: A dairy operation employee with no ownership interest in the dairy operation does not meet intergenerational transfer eligibility.

C Intergenerational Transfer Production History Calculation

The increase to the established production history of the participating dairy operation will be determined based on multiplying both of the following:

- National rolling herd average data for the current year in effect at the time the new member joined the dairy operation
- quantity of dairy cows purchased by the joining family member.

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2 Intergenerational Transfer Policy (Continued)

C Intergenerational Transfer Production History Calculation (Continued)

Note: Intergenerational transfers will not be allowed if the participating dairy operation's current annual production and the increase in herd size by the new family member is less than the dairy operation's established production history, as calculated according to 1-DMC, subparagraph 33 H.

D Intergenerational Transfer Limitations

The increase to the established production history of the participating dairy operation is limited to:

- a 1-time increase of production history for the term of the program
- a maximum increased quantity of up to 5 million pounds
- the same elected coverage threshold and coverage percentage in effect for the participating dairy operation at the time the production history increase takes effect, if applicable.

E Intergenerational Transfer Requirements

A dairy operation increasing production history through an intergenerational transfer must:

- request the intergenerational transfer on CCC-800 Continuation
- provide documentation of:
 - dairy operation's current annual marketings as of the date of the intergenerational transfer
 - purchases of the dairy cows being added to the dairy operation by the new family members

Note: The dairy cows purchased cannot come from the operation the family member is joining.

- new member information included in subparagraph A

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2 Intergenerational Transfer Policy (Continued)

E Intergenerational Transfer Requirements (Continued)

- certify for each new family member joining the operation that:
 - the dairy operation will be their principal source of noninvestment earned income
 - the member is a lineal descendant of a current member of the participating dairy operation
 - there is a significant equity ownership in the dairy operation of at least 10 percent individually, or 25 percent collectively, for multiple members
 - the member will contribute labor in the dairy operation at a minimum of 35 hours per week or have a plan for transition to full-time.

All documentation and certifications provided by the current members and joining family members of the dairy operation is subject to review and approval by COC. Documentation must be adequate proof and verifiable to COC's satisfaction.

3 Retroactive Intergenerational Transfers

A 2019 Retroactive Intergenerational Transfers

Participating dairy operations will have a 1-time opportunity to increase their established production history during the 2019 and 2020 registration and annual coverage election periods if an intergenerational transfer occurred during 2014 through 2018.

Note: Retroactive payments based on the increase to the dairy operation's established production history will **only** apply for 2019.

B Retroactive Intergenerational Transfer Effective Date

Dairy operations that request intergenerational transfer for 2014 through 2018 by December 13, 2019, and are approved by COC, will be eligible for the increased production history effective on January 1, 2019.

Dairy operations that request intergenerational transfer for 2019 by December 13, 2019, and are approved by COC, will be eligible for the increased production history effective on January 1, 2020.

Example: Joe Smith Dairy brought his son into the dairy operation on June 1, 2019, and additional cows were purchased for the dairy. An intergenerational transfer request has been made to FSA. Once approved and processed, the effective date for the 2019 intergenerational transfer request is January 1, 2020.

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3 Retroactive Intergenerational Transfers (Continued)

C Retroactive Intergenerational Transfer Requirements

The following limitations will apply to participating dairy operations requesting a retroactive intergenerational transfer:

- the production history increase will only apply to dairy cows purchased within 120 calendar days of the date the intergenerational transfer took place

Notes: The date of the intergenerational transfer must be verified by supporting documentation. Receipts of cows must be within 120 calendar days of this date.

Dairy cow purchase receipts will correspond that cows were purchased within 120 days of descendant joining the dairy operation.

- all requirements listed in subparagraph 2 E.

D Retroactive Intergenerational Transfers Premium Payment Due Date

An intergenerational transfer will affect the premium calculated with lock-in coverage for a dairy operation based on the additional quantity of production that will be added to the established production history. Additional premiums for retroactive intergenerational transfers are due December 13, 2019.

E Retroactive Intergenerational Transfer Processing

When the intergenerational transfer request has been made, the County Office will review and verify the following information to determine program eligibility:

- CCC-800 Continuation
- required documentation, including business legal documents, cow purchase receipts, etc.

Once COC reviews and approves the intergenerational transfer request, the documents will be uploaded to the National Office through the State Office to process the request and add the applicable production history increase to the dairy operation.

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4 Action

A State Office Action

State Offices will ensure that County Offices:

- are immediately informed of the contents of this notice
- immediately publicize the contents of this notice by all available means
- forward any retroactive intergenerational transfer questions to the National Office according to subparagraph 1 C.

B County Office Action

County Offices will:

- immediately notify producers by all available means
- forward questions about the contents of this notice to the State Office Price Support specialist.