

For: State and County Offices

Considering FSA Program Payments When Processing Emergency Loans (EM's) and Operating Loans (OL's) and Determining 2006 Cash Flow Projections

Approved by: Acting Deputy Administrator, Farm Loan Programs and Deputy Administrator, Farm Programs



1 Overview

A Background

FSA provides farm program payment assistance to producers who have experienced financial difficulty. Payments are issued to eligible producers to provide relief when there has been a loss of income due to weather related disasters, other emergency conditions and low commodity prices. Projected program payments to be received by producers may be included in their 2006 cash flow analysis.

B Purpose

This notice provides guidance on:

- estimating program payments when processing, approving, and closing EM's and OL's
- considering program payments when processing EM's in States affected by 2005 hurricanes
- taking assignments on program disaster payments related to EM assistance
- releasing assignments on program disaster payments not related to EM assistance
- including program payments when developing a farm business plan (FBP).

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

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1 Overview (Continued)

C Contact

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact Mike Hinton or Orlando Kilcrease at 202-720-1472.

2 Considering Program Payments When Processing EM's and OL's

A Processing EM's and OL's

Loan approval officials shall:

- continue to process loan applications in a timely manner
- upon receipt of an application, request that the CED in the County Office where disaster and other program payment applications have been filed, provide the applicant's payment entitlement report

Note: Disaster and other program payments projected and included in the FBP cash flow must be within the payment limitation rules.

- include disaster payments, if known, on FSA 1945-26, items C2 and D2, when determining EM amounts
- complete CCC-36, assigning future disaster payments to FSA, for the applicant's signature at loan closing, if the disaster payment amount is not known during EM processing
- release the assignment held by the Agency when disaster payment is made available to the applicant, if it is determined after closing the EM that the disaster payment and the EM are not related.

CED's shall:

- consider disaster and other program payment applications from applicants who are seeking EM's and OL's a priority when determining payment eligibility
- within 5 workdays of a request from the loan approval official, complete the calculation of disaster and other program payments, per the applicant's payment entitlement report, for which the applicant has applied for assistance.

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2 **Considering Program Payments When Processing EM's and OL's (Continued)**

B Tree Assistance Program (TAP)

TAP payments:

- may be provided to owners of eligible trees, bushes, and vines from which an annual crop is produced for commercial purposes
- may be provided to forest land owners who produce crops of timber for commercial purposes
- may be provided to pecan producers who suffered damage or loss to pecan trees
- are disaster payments and will be considered when determining EM amounts
- will be made once the producer has completed the practice.

3 **Considering Program Payments When Processing EM's in States Affected by Hurricanes in 2005**

A Background

The payments in this paragraph are available primarily to producers in Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas, who were affected by hurricanes in 2005.

B Hurricane Indemnity Program (HIP)

HIP payments:

- may be provided to farmers who received crop insurance or NAP payments as a result of hurricanes
- will be 30 percent of the crop insurance indemnity or NAP payment and will be capped at 95 percent of the expected crop returns
- are disaster payments and will be considered when determining EM amounts.

3 Considering Program Payments When Processing EM's in States Affected by Hurricanes in 2005 (Continued)

C Livestock Indemnity Program (LIP)

LIP payments:

- may be provided to livestock producers and contract growers of livestock, such as poultry, whose livestock was lost as a direct result of the hurricanes
- will be based on 75 percent of the average sales price for each category of livestock
- are disaster payments and will be considered when determining EM amounts.

D Feed Indemnity Program (FIP)

FIP payments:

- may be provided to eligible owners and cash lessees of certain types of forage based livestock for feed losses
- will be a rate equal to a set amount per type of livestock

Note: To be eligible for payments, producers would self-certify to feed losses.

- are disaster payments and will be considered when determining EM amounts.

E Tree Indemnity Program (TIP)

TIP payments:

- may be provided to owners of perennial orchards, bushes, and vines from which an annual crop is produced for commercial purposes
- will be flat payments per acre for the re-planting and rehabilitation (such as pruning or staking) of perennial orchards, bushes, and vines that produce an annual crop, damaged as a result of the hurricanes
- are disaster payments and will be considered when determining EM amounts
- levels of loss will be established by tiers of damage

Note: USDA anticipates 4 tiers with 1 covering producers who had 90 percent or greater loss, and the other 3 tiers covering the remainder of the spectrum. Producers will certify to the tier which corresponds to their level of loss.

- will not be made on a reimbursable basis.

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3 Considering Program Payments When Processing EM's in States Affected by Hurricanes in 2005 (Continued)

F Aquaculture Grants

USDA will provide block grants to States adversely affected by hurricanes in 2005 for aquaculture losses.

Note: Aquaculture producers not covered by other disaster programs will be eligible for these funds. If producers receive payment assistance under this program, they will **not** be eligible to receive EM assistance.

4 Closing EM's and OL's with Program Payments

A EM and OL Closings

Loan approval officials shall:

- include the following as a loan closing condition on RD1940-1 for all EM's:

“The applicant agrees to assign any future disaster related payments received after loan closing above the amount already included on FSA 1945-26, items C2 and D2 for the same loss, to FSA as an extra payment on this loan. FSA will also take an assignment on any future disaster related payments received after loan closing that are not listed on FSA 1945-26, items C2 and D2 for the same loss, as an extra payment on this loan”

Note: 3-FLP, subparagraph 163 P requires an applicant to repay any duplicate Federal assistance to the Agency providing such assistance. An applicant receiving Federal assistance for a major disaster or emergency is liable to the U.S. to the extent that the assistance duplicates benefits available to the applicant for the same purpose from another source.

- continue to close OL's in accordance with FmHA Instruction 1941-B.

5 Considering Program Payments When Developing FBP

A Developing FBP

Loan approval officials shall:

- determine whether the applicant has applied and may be eligible to receive disaster and other program payment assistance
- contact CED to determine the amount of disaster and other program payment assistance the applicant has received or can expect to receive during the planning period

5 Considering Program Payments When Developing FBP (Continued)

A Developing FBP (Continued)

- include typical program payments and subsidies that are included in the President's annual appropriations budget in the 2006 FBP cash flow projections.

Loan approval officials shall not include any:

- disaster related payments in the cash flow projections of long range and/or typical year plans, as disasters and any related payment assistance are ad-hoc and not considered typical for a farming operation

Note: Disaster payment assistance provided under The Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act of 2006, can only be included in the 2006 FBP cash flow projections.

- one-time payment assistance appropriated as a result of special legislation by Congress and the President in the cash flow projections of long range and/or typical year plans, as one-time payment assistance is not considered typical for a farming operation.