

For: State and County Offices

**Special FSFL Provisions for FAV Producers**

Approved by: Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

The FSFL Program was made available to FAV producers during FY 2009. Since FY 2009, FSA State and County Offices have disbursed more than 80 cold storage FSFL's, mainly for storing single commodities (for example, apples or potatoes). Over the last four FY's, FSA learned that the needs of FAV producers are unique.

FAV producers:

- often produce several crops of FAV's and do **not** require storing the production for long periods
- generally do **not** participate in other FSA programs, so are less likely to complete FSA-578's each crop year and are then required to pay late-filed FSA-578 fees to comply with FSFL requirements.

Multi-peril crop insurance policies and NAP coverage are available to protect FAV producers against adverse weather conditions. However, because FAV commodities may command a premium above the wholesale price, based on certain marketing attributes (for example, certified organic or locally-produced), FAV producers may not be adequately compensated for their losses. Therefore, many FAV producers have found insurance requirements and fees associated with obtaining multi-peril crop insurance, or NAP coverage, are deterrents to participation in the FSFL Program.

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| <b>Disposal Date</b>        | <b>Distribution</b>                                  |
| November 1, 2014<br>3-10-14 | State Offices; State Offices relay to County Offices |

## Notice FSFL-99

### 1 Overview (Continued)

#### A Background (Continued)

The special provisions provided in this notice will assist FAV producers with qualifying for a cold storage FSFL.

Policies and procedures included in this notice:

- are effective **immediately**
- will be included in a forthcoming 1-FSFL amendment.

#### B Purpose

This notice informs State and County Offices of special provisions authorized for FAV producers, according to subparagraph 2 A, and describes the types of handling equipment and cold storage facilities eligible for all FAV producers.

#### C Contact

State specialists with questions about this notice shall contact Toni Williams by either of the following:

- e-mail to **toni.williams@wdc.usda.gov**
- telephone at 202-720-2270.

#### D 1-FSFL References

The following table provides topics and references in 1-FSFL that provide detailed information applicable to that topic. The following are applicable to **all** FSFL's.

| <b>IF the FSFL Program topic is...</b>                | <b>THEN see 1-FSFL...</b>          |
|---|------------------------------------|
| application fees                                      | paragraph 30.                      |
| depositing application fees                           | paragraph 312.                     |
| approvals   | paragraph 26.                      |
| approval authority                                    | subparagraph 2 F and paragraph 11. |
| borrower requirements                                 | paragraph 12.                      |
| CCC-185's   | paragraph 51.                      |
| eligible FAV's  | subparagraph 13 B.                 |
| eligible and ineligible structures and components     | paragraph 21.                      |
| facility purpose and useful life                      | paragraph 18.                      |
| insurance requirements                                | paragraph 69.                      |
| issuing payments for lien searches and recording fees | paragraph 313.                     |
| security requirements                                 | paragraph 24.                      |
| terms   | paragraph 23.                      |

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### 2 Special Provisions for FAV Producers

#### A Special Provisions

The provisions provided in this paragraph are for FAV producers:

- with an aggregate outstanding FSFL balance of \$100,000 or less
- who produce a minimum of 3 different fruits and/or vegetables.

#### B Determining Storage Need

County Offices may determine the need for cold storage by using either of the following:

- the basic formula storage calculation according to 1-FSFL, subparagraph 15 B
- verifiable information that may include, but is **not** limited to:
  - 3 years of actual acreage yields used to produce fruits and/or vegetables (by crop or in aggregate)
  - actual production records, by crop or aggregated by categories
  - records of sales, volume sold, or other business records that can be extrapolated to demonstrate cold storage need (for example, farmers market sales may not be broken out by commodity, but volume is controlled by stall space or vehicle size)
  - production shares as part of a community-supported agriculture business.

**Note:** Using the FAV producer's actual yield and production records would provide better information for calculating the producer's cold storage capacity need.

#### C Multi-Peril Crop Insurance or NAP Coverage Waiver

To enhance the FAV producer's repayment ability, multi-peril crop insurance or NAP is **required, unless** it is determined by STC that multi-peril crop insurance or NAP coverage is **not** feasible for the FAV producer.

FAV producer **must** annually submit, in writing to the County Office, a request to waive the multi-peril crop insurance or NAP coverage. STC will determine, on a case-by-case basis, if multi-peril crop insurance or NAP coverage is **or** is not feasible for the FAV producer. When determining feasibility, STC should take into account a variety of factors including number of crops, typical area planted to each crop, and whether the producer markets his or her product in a way that commands a price premium above traditional markets (for example, direct-to-consumer, through a food hub, to a local restaurant, certified organic, etc.).

The waiver determination **must** be maintained in the FSFL folder and documented in the STC meeting minutes.

**Notes:** This waiver is applicable only to FSFL applicants requesting FAV related FSFL.

STC can redelegate authority to COC **only** for provisions provided in this subparagraph.

### 3 Types of Drying and Handling Equipment Allowed For All FAV Producers

#### A Eligible Drying and Handling Equipment

The handling equipment needs for FAV producers are unique, based on the farming operation. FAV producers' crops must go through certain processes **before** they can be placed in cold storage for quality to be maintained. Therefore, in addition to types of equipment provided in 1-FSFL, the following are eligible for, but **not** limited to, all FAV producers:

- boxing
- baggers
- brush polishers
- bulk bin tippers
- case palletizers
- cold dip tanks
- fruit/vegetable conveyors
- food safety-related equipment (for example, sanitizers or pre-washing filter tanks)
- drying tunnels
- dumpers
- fruit/vegetable hoppers
- hydrolifts
- hydrocoolers
- ice machines
- quality graders
- roller creepfeeders
- roller spray units
- sealants
- sizers
- sorting bins/tables
- washers
- waxers
- weight graders.

#### B Additional Guidance

**All** drying and handling equipment **must** be permanently affixed.

The area of a structure required to house eligible handling equipment is eligible, in addition to the cold storage space.

1-FSFL, paragraph 21 provides eligible and ineligible FAV structures and components.

The provisions in this paragraph are available to **all** FAV producers.

State Offices **must** contact the National Office, according to subparagraph 1 C, when there are questions about eligible and ineligible drying and handling equipment.

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### 4 Action

#### A State Office Action

State Offices shall:

- ensure that County Offices are following the procedure in this notice
- assist County Offices with questions about this notice
- contact PSD with any questions about information in this notice

**Note:** Requests for guidance are encouraged when a FAV producer's operation is unusual or if the applicant is seeking to increase the operation's storage capacity to support a growing demand. DAFP review of the situation may result in waivers of certain FSFL Program provisions that restrict the producer's eligibility for FSFL.

- contact the Cooperative Extension Service, at State Office's land-grant university, or where relevant, a local Agriculture Research Service laboratory, to assist with reasonable yields and determining needed storage capacity for FAV's in situations where that information cannot be reasonably furnished by the applicant

**Note:** NCT is also available to assist with reasonable yields within the State.

- ensure that, in the process of outreach efforts, producers are aware that cold storage for FAV's is an eligible use of FSFL's.

#### B County Office Action

County Offices shall:

- comply with the policy and procedures in this notice and 1-FSFL
- contact the State Office for guidance, if there are questions or concerns about the policy and procedure in this notice
- contact the State Office for additional assistance when determining the following:
  - reasonable FAV production/yield
  - storage capacity needed for FAV's
  - eligible cold storage structures and equipment
  - outreach efforts.