

For: State and County Offices

1999 Small Hog Operation Payment (SHOP) Program

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

The United States pork producers are experiencing an economic disaster that threatens to financially devastate them and their families, changing forever the structure of the industry.

On January 12, 1999, the Secretary announced the provisions of the SHOP Program.

B

Purpose

This notice provides the following:

- policy and procedure on implementing SHOP
- eligibility criteria
- procedure for applying for benefits
- payment rate
- instructions for completing FSA-1042.

2 General Information

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Source of Authority

The source of authority for SHOP is Section 32 of the Act of August 24, 1935, as amended (Section 32). The Secretary has authorized \$50 million of Section 32 funds to be used for direct payments to hog producers.

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<p>Disposal Date</p> <p>July 1, 1999</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p>
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2 General Information (Continued)

B

Program Availability

SHOP is available to producers on hog operations if the hog operation marketed fewer than 1,000 hogs from July 1, 1998, through December 31, 1998.

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Signup Period

Signup for SHOP begins on February 1, 1999, and ends on February 12, 1999. Eligible producers may file an application for benefits anytime during this signup period. Producers shall file applications for benefits in the county where the hog operation is located.

All SHOP applications must be submitted to the applicable County Office by COB February 12, 1999. Late-filed provisions will not apply to SHOP. Applications received or requested after COB, February 12, 1999 will not be accepted. This includes FAXed applications.

D

National Factor

Since a set amount of money is available, a national payment factor may be established if the total amount applied for exceeds the \$50 million authorized for SHOP. This factor will be announced after the end of signup.

E

Policies and Procedures

All procedural instructions for administering SHOP will be issued through LD notices because SHOP is a temporary program.

All automated instructions for recording SHOP through APSS will be issued through PS notices.

F

Regulations

Regulations for SHOP will be:

- provided in 7 CFR Part 762
 - available on BBS after it is published in FR
 - available on the PSD home page at www.fsa.usda.gov/dafp/psd/.
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G

Related Handbooks

FSA Handbooks related to SHOP include:

- 1-CM for signatures, estates, trusts, or minors
 - 1-APP for appeals
 - 1-FI for issuing payments
 - 58-FI for offsets.
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3 Responsibilities

A

FSA Responsibilities

FSA has primary responsibility through STC's and COC's for administering SHOP.

B

STC Action

STC's shall supervise and monitor SHOP to ensure that policies and procedures outlined in this notice are being uniformly followed by County Offices.

C

COC Action

COC's shall:

- administer SHOP at the county level under STC supervision
 - inform producers about the eligibility requirements for SHOP payments
 - approve or disapprove requested SHOP payments according to this notice.
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4 SHOP Definitions

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Definitions

The following definitions are applicable to SHOP.

- A cost-plus contract is an agreement between a hog operation and a purchaser which bases payment to the hog operation on the estimated cost of production of a hog plus a profit margin.
 - Eligible hogs are feeder pigs and slaughter hogs.
 - Feeder pigs are young pigs that are sold to another person for further feeding for a period of more than 1 month.
 - A fixed-price contract is an agreement between a hog operation and a purchaser which bases payment at a negotiated fixed price and includes contracts that may specify the duration and minimum and/or maximum number of hogs to be delivered during the contract period.
 - A negotiated cash sale is a sale in which the price is determined by interactions between the hog operation and the purchaser during the current day, for delivery within the next 7 slaughter days, and does not include hogs which are sold under contract.
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4 SHOP Definitions (Continued)

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Definitions (Continued)

- A hog operation is any person or group of persons who as a single unit raise hogs and whose production and facilities are located in the United States.
 - Marketed means hogs that are commercially sold.
 - Marketing period means the last 6 months of 1998 and is July 1, 1998 through December 31, 1998.
 - Slaughter hogs are barrows, gilts, sows, and boars that are sold for immediate slaughter.
 - United States means the 50 United States of America, the District of Columbia, and the Commonwealth of Puerto Rico.
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5 Eligibility Requirements

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Eligible Hog Operations

An eligible hog operation for SHOP purposes is any person or group of persons who as a single unit raise hogs and whose production and facilities are located in the United States and may also include any of the following entities that are engaged in an operation that raises hogs in the United States for sale:

- an individual that has a beneficial interest in a hog operation, has a financial risk in the hog operation, and is a citizen of, or legal resident alien in, the United States
 - a corporation, partnership, joint operation, estate, association, cooperative, or other business enterprise or other legal entity and, whenever applicable a State, political subdivision of a State, or any agency thereof, and whose members are a citizen of, or legal resident alien in the United States
 - Indian tribe of the Indian Self-Determination and Education Assistance Act
 - Indian organization or entity chartered under the Indian Reorganization Act
 - economic enterprise under the Indian Financing Act of 1974.
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5 Eligibility Requirements (Continued)

B

Eligible Hogs

The 2 types of eligible hogs are feeder pigs and slaughter hogs.

Hogs marketed under a fixed-price or cost-plus contract are not eligible for payment.

C

Hog Operation Eligibility

SHOP payments are made to producers on hog operations. Only 1 application per hog operation is required. To be eligible to receive payment, a hog operation must:

- have sold fewer than 1,000 hogs during the marketing period
 - have sold hogs on a negotiated cash basis or contracts that are not a cost-plus or fixed-price contract during the marketing period
 - be engaged in the business of producing and marketing agricultural products at time of application
 - apply for payment during the application period.
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D

Gross Income Requirement

Any person on a hog operation that has qualifying gross income in excess of \$2.5 million annually is not eligible to receive benefits under SHOP. Determine gross income according to 1-NAP, paragraph 31, but apply the limit of \$2.5 million instead of \$2.0 million.

6 Payment Rates and Calculations

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Funding

\$50 million has been made available to eligible producers on hog operations for payments under SHOP.

Because the spending authority is limited to \$50 million:

- it is necessary to determine whether a factor must be applied
- payments can be issued only after signup has ended, a factor has been determined, and KCMO mainframe payment calculations have been processed.

Information concerning the determination of a factor will be issued in a future notice.

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6 Payment Rates and Calculations

B
National
Payment Rate

Benefits are based on:

- \$5.00 per head for slaughter hogs
 - \$1.80 per head for feeder pigs.
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C
Maximum
Payment

Each eligible hog operation is entitled to a maximum payment of \$2,500 for eligible hogs sold during the marketing period.

D
Advance
Payments

Advance payments will not be issued for SHOP.

E
Assignments

SHOP payments are not assignable.

7 Filing Applications

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FSA-1042

Eligible producers on hog operations shall file FSA-1042 to apply for SHOP benefits. A separate FSA-1042 shall be filed for each hog operation that marketed hogs during the marketing period. The total hogs marketed under the hog operation for all producers receiving a share of the hogs marketed must be included on one FSA-1042 to complete the application. More than 1 application for a hog operation is not acceptable for SHOP.

Example 1: Producer A shares 50-50 with Producer B in a joint venture operating as Hog Operation 1. Producer A also has 100 percent interest in Hog Operation 2. There will be 2 applications:

- Producers A and B file an application for Hog Operation 1 and share the payment 50-50
- Producer A files an application for Hog Operation 2

In this example, the maximum payment for Hog Operation 1 is \$2,500 and the maximum payment for Hog Operation 2 is \$2,500. If the maximum payment amount is \$2,500, Producer A could receive two payments of \$1,250 and \$2,500. Producer B would receive a payment of \$1,250.

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7 Filing Applications (Continued)

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FSA-1042 (Continued)

Example 2: A father owns a hog operation and a child is marketing hogs for a 4-H or FHA project, there will be 1 application that includes both the father's and child's hogs.

APSS will assign application numbers and must be transferred to FSA-1042 after the County Office has entered the information.

See Exhibit 1 for instructions on completing FSA-1042. FSA-1042 is available in WordPerfect and PDF format located on BBS under the National Forms Library and from the PSD home page. The PSD website is www.fsa.usda.gov/dafp/psd/. State Offices shall locally reproduce FSA-1042.

B

Requests

Eligible hog operations can obtain FSA-1042 to request SHOP from the County Office where the hog operation is physically located as follows:

- in person
- by mail
- by telephone
- by facsimile.

Applications may also be downloaded by the producer from the Internet from the PSD website located at <http://www.fsa.usda.gov/dafp/psd/>.

If applications are requested by mail, telephone, facsimile, or downloaded from the Internet, the requests must be completed correctly, signed, and returned to the applicable County Office by COB Friday, February 12, 1998, to be considered eligible for SHOP.

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7 Filing Applications (Continued)

C

**Signature
Requirements**

All producer signatures must be received by COB February 12, 1999.

D

Direct Deposit

The Debt Collection Improvement Act of 1996 requires any recipient of Federal payments who becomes eligible for that payment after July 25, 1996, to receive the payment by electronic funds transfer. All producers receiving benefits under SHOP must file SF-1199A according to 1-FI, Part 3.

E

**Producer
Self-Certification**

Producers must complete FSA-1042 by self-certifying the number of feeder pigs and slaughter hogs sold during the marketing period and answer the 3 questions for eligibility. In addition, producers must indicate if their 1998 gross annual income exceeds \$2.5 million.

Because the producer certifies that the information is correct, no additional documentation is requested from the producer at time of signup.

F

**COC Approval
of FSA-1042**

COC's shall be satisfied that all eligibility requirements of paragraph 5 have been met before approving FSA-1042.

COC's, or designee, shall not approve any FSA-1042 that was requested or received after COB, February 12, 1999. This includes FSA-1042's that are mailed or FAXed to the County Office.

Do not approve FSA-1042 for a joint venture or joint operation unless all members of the joint venture or joint operation who share in hogs marketed from the hog operation have signed FSA-1042.

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8 Compliance

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Spotchecks

County Offices shall spot-check 5 percent of all approved FSA-1042's to ensure that the program is carried out according to approved policy and procedure. Use the following procedures to implement spotchecks:

- by COB Friday, February 26, 1998, select 1 out of every 20 hog operations approved for SHOP
 - inform each contact producer of the selected hog operation, by telephone, that a spotcheck is being completed for the hog operation and request the contact producer to indicate the buyer of the hogs reported on FSA-1042
 - request copies of sales documents to verify the number of hogs marketed during the marketing period are the same number of hogs indicated on the FSA-1042
 - verify the buyer of the hogs listed on the sales documents is the same buyer that the contact producer identified when informed of FSA-1042 spotcheck.
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B

Completing Verifications

Verifications of FSA-1042's selected for spotcheck must be completed within 60 calendar days after signup has ended.

If the number of hogs is not the same as the number requested on FSA-1042 or the buyer is not the same as verbally indicated by the contact producer, or both, the hog operation may not be eligible for SHOP.

Document results of the verification in the Remarks section of FSA-1042 and inform the State Office of the number of FSA-1042's selected, and the results of the verification.

Additional instructions will be issued for collecting overpayments.

C

State Office Reports

Within 5 workdays of receiving the spot-check information, the State Office shall prepare a written report describing the review results and submit a copy of the report to PSD. The FAX number for PSD is 202-690-3307.

Additional instructions will be issued regarding the report format.

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8 Compliance (Continued)

D

**Misrepresentation,
Scheme, or Device**

Any person who is determined by STC or COC to have committed any of the following violations shall be ineligible to receive payments under SHOP:

- adopted any scheme or device that tends to defeat the purpose of SHOP
 - made any fraudulent representation
 - misrepresented any fact affecting a program determination.
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E

**Maintaining
Records**

Hog operations requesting payment under SHOP shall maintain records for a period of 3 years after the date of the payment to document eligibility requirements are met.

FSA-1042, Small Hog Operation Payment Program Application

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Completing FSA-1042

Complete FSA-1042 according to this table, if the producer is **requesting SHOP in person** at the County Office.

All producers who share in the hog operation and who marketed eligible hogs on the hog operation must be added together on one FSA-1042.

Item	Instructions
1	Enter the applicable State code.
2	Enter the applicable county code.
3	ENTER "1999" for the program year.
4	Enter the application number assigned by APSS after FSA-1042 has been recorded in APSS.
5	Enter the name of the hog operation.
6	Enter the producer's name, address, and telephone number. This will be the contact producer if more than 1 producer shares in the hog operation.
7	Enter the name and address of the applicable County Office.
8	Check the applicable box in response to the question, "Did the hog operation market 1,000 or more hogs from July 1, 1998 through December 31, 1998?"
9	Check the applicable box in response to the question, "Have you gone out of business of producing and marketing agricultural products?"
10	Check the applicable box in response to the question, "Did the hog operation market all feeder pigs or slaughter hogs under a fixed-price or cost-plus contract?"
11	Enter the number of feeder pigs marketed from July 1, 1998 through December 31, 1998. Note: Do not include any feeder pigs that were marketed under a fixed-price or cost-plus contract, as applicable.
12	Enter the number of slaughter hogs marketed from July 1, 1998 through December 31, 1998. Note: Do not include any slaughter hogs that were marketed under a fixed-price or cost-plus contract, as applicable.
13	Enter the total of feeder pigs and slaughter hogs marketed. (Item 11 plus item 12.)
14	After reading the certification statement in Part C, all producers must enter A or B in the applicable box to indicate annual gross income, sign, provide ID number, date, and indicate share, as applicable.
15	COC shall approve or disapprove FSA-1042.
16	Signature, title, and date of COC or designee.
17	Record all spot-check verifications and names of buyers, as applicable.

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FSA-1042, Small Hog Operation Payment Program Application (Continued)

C

Instructions to Producer

If a producer **requests SHOP by telephone, mail, or by facsimile**, County Offices shall:

- complete items 1-3 and 7
- **not** complete items 4 and 15-17 until the producer has completed and returned FSA-1042 to the County Office
- send FSA-1042 to the producer as requested
- provide the following instructions for the producer to complete FSA-1042.

Item	Instructions
5	Enter the name of your hog operation.
6	Enter your name, address, and telephone number.
8	Enter your response to the question, "Did the hog operation market 1,000 or more hogs from July 1, 1998 through December 31, 1998?"
9	Enter your response to the question, "Have you gone out of business of producing and marketing agricultural products?"
10	Enter your response to the question, "Did the hog operation market all feeder pigs or slaughter hogs under a fixed-price or cost-plus contract?"
11	Enter the number of feeder pigs your hog operation marketed from July 1, 1998 through December 31, 1998. Note: Do not include any feeder pigs that were marketed under a fixed-price or cost-plus contract, as applicable.
12	Enter the number of slaughter hogs your hog operation marketed from July 1, 1998 through December 31, 1998. Note: Do not include any slaughter hogs that were marketed under a fixed-price or cost-plus contract, as applicable.
13	Enter the total of feeder pigs and slaughter hogs marketed. (Item 11 plus item 12.)
14	After reading the certification statement in Part C, enter A or B in the applicable box to indicate your annual gross income, sign, provide your ID number, date, and indicate your share, as applicable. All producers who share in the hogs marketed on your hog operation must also sign, date, indicate shares, and provide ID numbers, as applicable. When all signatures and information have been obtained, take your completed application to the County Office in item 7 by COB, February 12, 1999.