

For: State and County Offices

**Clarification on Issues Involving Production Flexibility Contract (PFC)
and Market Loss Assistance (MLA) Payments**

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

On August 13, 2001, the President enacted Pub. L. 107-25, Crop Year 2001 Agricultural Economic Assistance Act (2001 Act), which:

- authorized issuing FY 2001 MLA payments to eligible producers by September 30, 2001
- rescinds FSA’s authority to issue FY 2001 MLA payments after September 30, 2001.

Numerous inquiries have been received in the National Office about issuing PFC and MLA payments to:

- ineligible producers who have filed an appeal
- producers on farms with disputed shares.

B

Purpose

This notice provides clarification on several issues about PFC and MLA payments

<p>Disposal Date</p> <p>October 1, 2001</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p>
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Notice PF-168

2 Provisions For Issuing FY 2001 PFC and MLA Payments

**A
Reminder for
Issuing MLA
Payments**

County Offices are reminded that payments shall not be issued to producers:

- on contracts with disputed shares unless the dispute is settled before September 30, 2001
- involved in bankruptcy situations unless guidance has been provided by the Regional Attorney
- who have filed an appeal unless a favorable determination is made before September 30, 2001.

Important: Payments shall not be processed and held in anticipation of payments becoming valid at a later date.

If payments have been processed for any of the conditions identified above, County Offices shall:

- immediately cancel checks or EFT's that have not been released to producers
 - process overpayments if the check or EFT has been released.
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**B
Reminder for
Issuing PFC
Payments**

County Offices shall ensure that **all** PFC payments are issued to **eligible** producers by September 30, 2001.

**C
FAV Reductions**

Ensure that known FAV reductions are recorded and processed before September 30, 2001.

Continued on the next page

Notice PF-168

2 Provisions For Issuing FY 2001 PFC and MLA Payments (Continued)

D Typewritten Checks

Issuing typewritten PFC and MLA checks is strictly prohibited.

E Ineligible Producers

County Offices are:

- reminded that PFC and MLA payments shall not, under any circumstance, be issued to producers that are not eligible for benefits
- **not** authorized to issue PFC and MLA payments to a producer in anticipation that the producer's eligibility status might change before September 30, 2001.

If the system generates a payment to an ineligible producer, County Offices shall:

- not release the payment to the producer
- **immediately** cancel the payment in the system according to 2-PF and Notice PF-162
- update the system to reflect the producer's ineligibility to ensure that future payments are not processed nor issued.

If the producer's eligibility status changes before September 30, 2001, then the system should be updated immediately by all affected County Offices so payments can be issued timely.

F Overpayments

County Offices shall:

- complete "ALL" FY 2001 PFC and MLA overpayments upon receipt of this notice
 - immediately transfer legitimate overpayments to CRS
 - correct conditions causing producers to be listed on the overpayment register in error.
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Notice PF-168

3 Provisions About Withholding PFC Payments

A Withholding PFC Payments

State and County Offices shall follow the provisions in 58-FI, paragraph 177 for procedure to request that PFC payments be withheld. 58-FI specifies that payments may be withheld as follows.

IF the case...	THEN program payments may be withheld if authorized...
involves bankruptcy	in writing by the Regional Attorney.
does not involve bankruptcy	by the Deputy Administrator for Farm Programs.
involves a request to withhold payment by the Office of the Inspector General	

B Handling Receivables and/or Claims

County Offices shall offset FY 2001 PFC payments to satisfy outstanding receivables and/or claims, if the producer has been properly notified of the debt according to 58-FI. The offsets shall be applied against outstanding receivables and/or claims even if the producer has appealed the determination that resulted in the debt.

If the determination that resulted in the establishment of the receivable or claim is reversed, County Offices shall refund offset amounts according to:

- 64-FI for claim collections
 - 67-FI for receivables collections.
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4 SED Responsibility

A Action

SED's shall ensure that County Offices understand and follow the procedure in this notice. Funding is specific and limited. Therefore, it is imperative that correct payment amounts are only issued to eligible producers. Payments **shall not** be processed and held in anticipation of future actions.
