December 2019

United States Department of Agriculture

Farm Service Agency Electronic News Service

NEWSLETTER

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MN FSA Newsletter: December 2019

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Joe Martin

Holiday Greetings from MN FSA!

Our staff across the state send you warm wishes for a joyous holiday season and healthy happy year ahead!

Holiday Hours
The USDA Service Center will be closed on Tuesday, Dec. 24, and Wednesday, Dec. 25, in observance of Christmas. We will resume normal business hours on Thursday, Dec. 26. Additionally, the USDA Service Center will be closed on Wednesday, Jan. 1, 2020, in observance of New Year's Day.

FSA and Extension Hosting 2018 Farm Bill Crops Education Meetings
The Farm Service Agency and University of Minnesota Extension is hosting a series of free education meetings to help crop producers

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understand decisions regarding the 2018 Farm Bill reauthorization of ARC and PLC programs.

The seminars are offered all across the state, being held in 46 different counties and will be led by Extension educators and FSA; no registration is required. Details are available here or by going to z.umn.edu/2018FarmBill.

The ARC Program is an income support program that provides payments when actual crop revenue declines below a specified guarantee level. The PLC Program provides income support payments when the effective price for a covered commodity falls below its effective reference price.

All farm producers with interest in the cropland must make a farm program election by March 15, 2020. This election will apply to the farm for 2019 and 2020. Crops grown in Minnesota that are covered by this program include: corn, soybeans, wheat, barley, canola, sunflowers, oats, sorghum, lentils, dry peas, garbanzo beans and flax.

Those interested in learning more but unable to attend an in person meeting are encouraged to view online presentations at farmbill.umn.edu. More information from Extension on the Farm Bill and events is available at https://extension.umn.edu/business/abm-events.

For more information on FSA disaster assistance programs, please contact your local USDA service center or visit farmers.gov/recover.

USDA Announces Opening Signup for Conservation Reserve Program on December 9, 2019

USDA is opening signup for the Conservation Reserve Program (CRP) on December 9, 2019. The deadline for agricultural producers to sign up for general CRP is February 28, 2020, while signup for continuous CRP is ongoing.

Farmers and ranchers who enroll in CRP receive a yearly rental payment for voluntarily establishing long-term, resource-conserving plant species, such as approved grasses or trees (known as “covers”) to control soil erosion, improve water quality and develop wildlife habitat on marginally productive agricultural lands.

CRP has 22 million acres enrolled, but the 2018 Farm Bill lifted the cap to 27 million acres. This means farmers and ranchers have a chance to enroll in CRP for the first time or continue their participation for another term.

By enrolling in CRP, producers are improving water quality, reducing soil erosion, and restoring habitat for wildlife. This in turn spurs hunting, fishing, recreation, tourism, and other economic development across rural America.

CRP Enrollment Options

General Signup

CRP general signup will be held annually. The competitive general signup will now include increased opportunities for enrollment of wildlife habitat through the State Acres For Wildlife Enhancement (SAFE) initiative.

Continuous Signup

While some practices under SAFE will remain available through continuous signup, CRP continuous signup will focus primarily on water quality with the Clean Lakes, Estuaries, and Rivers (CLEAR) Initiative. The 2018 Farm Bill prioritizes water quality practices such as contour grass strips, filter strips, riparian buffers, wetlands and a new prairie strip.

USDA will also be working with Conservation Reserve Enhancement Program (CREP) partners to relaunch CREP continuous options in each state under new statutory provisions. CREP will continue to target high-priority local, state or regional conservation concerns.

Grasslands Signups

CRP Grasslands signup helps landowners and operators protect grassland, including rangeland, and pastureland and certain other lands while maintaining the areas as grazing lands. A separate CRP Grasslands signup will be offered each year following general signup.

Pilot Programs

Later in 2020, (FSA will roll out pilot programs within CRP: CLEAR 30, which allows contracts expiring with CLEAR practices to be reenrolled in 30-year contracts and in the Soil Health and Income Protection Program (SHIPP) in the prairie pothole region. More information on these programs will be announced in the new year.

Land Transition

The CRP Transition Incentives Program (TIP) is an option for producers interested in transitioning land to a beginning farmer or rancher or a member of a socially disadvantaged group to return land to production for sustainable grazing or crop production. CRP contract holders no longer need to be a retired or retiring owner or operator to transition their land. TIP participants may have a lease less than five years with an option to purchase, and they have two years before the end of the CRP contract to make conservation and land improvements.

Previously Expired Land

Land enrolled in CRP under a 15-year contract that expired in September 2017, 2018 or 2019, may be eligible for enrollment if there was no opportunity for re-enrollment and the practice under the expired contract has been maintained.

CRP Rates and Payments

FSA recently posted updated soil rental rates for CRP. County average rates are posted on the [CRP Statistics webpage](). Soil rental rates are statutorily prorated at 90 percent for continuous signup and 85 percent for general signup. The rental rates will be assessed annually. Under continuous signup, producers also receive incentives, including a signup incentive payment and a practice incentive payment.

To enroll in CRP, contact your local FSA county office or visit fsa.usda.gov/crp. To locate your local FSA office, visit farmers.gov/service-locator.

FSA Can Help with On-Farm Propane Storage

Winter months in Minnesota can be long and cold. For several years, farmers have faced propane storage shortages. FSA's Farm Storage Facility Loan (FSFL) program provides funding for on-farm liquified petroleum tanks.

FSFL low-interest financing can be used to build or upgrade storage facilities and to purchase portable (new or used) structures, equipment, storage and handling trucks. Liquified petroleum tanks are covered for eligible commodities for the use of fuel for grain dryer equipment.

Loans up to $50,000 can be secured by a promissory note/security agreement. Loans exceeding $100,000 require additional security.

Producers do not need to demonstrate the lack of commercial credit availability to apply. The loans are designed to assist a diverse range of farming operations, including conventional operations, small and mid-sized businesses, new farmers, operations supplying local food and farmers markets, non-traditional farm products, and underserved producers.

To learn more about FSFLs and how these loans can help with your on-site propane tank storage needs, contact your local FSA county office.

Implication of Farming Operation Changes

Due to a variety of reasons such as estate planning, physical limitations, and liability issues, some producers are considering restructuring their farming operations. This can also include decisions to utilize custom services to provide tillage, planting and harvesting. These changes can affect Farm Service Agency (FSA) program payment eligibility. Producers are encouraged to stop in their local FSA office to discuss potential changes to their farming operation. Though the local office cannot provide casual advice, they can explain what the federal regulations require and ultimately help make an informed decision on how to proceed.

Some examples observed in the past year affecting FSA eligibility:

Example 1: Producer has been using their own equipment and providing their own personal labor to the operation. Now they decide to utilize custom services to provide their tillage, planting and harvesting. If the producer has land in the operation that is cash rented, they must meet a higher standard. The higher standard (cash rent tenant rule) requires them to provide either:

- 50% of the active personal labor required for the operation or
- 50% of the equipment AND active personal management that is critical to the profitability of the operation

Depending on the operation, if it is strictly a crop operation (no livestock), it is difficult if not impossible to meet either of the above bullets and the producer would be ineligible for FSA program benefits for the cash rented land. Note: If the land is share rented (rather than cash rented) from the owner, the cash rent tenant rule would not apply. The owner would then be entitled to part of the FSA program benefits.

Example 2: Currently the program participant is an individual with owned and rented land in the operation. For estate planning purposes he/she creates an LLC consisting of husband, wife and children. The owned land is transferred to the LLC. The individual cash rents the land from the LLC. The individual is no longer eligible for landowner exemption and would need to meet the cash rent tenant rule. If the individual decides to custom hire the tillage, planting and harvest, the individual is unlikely able to meet the cash rent tenant rule. There could also be an issue with significant left-hand contributions if the LLC guarantees financing used in the individual's operation.

Example 3: A four-person General Partnership (GP) decides to create a four person LLC (same four people). All of the equipment is transferred to the LLC. In addition, all hired labor is paid through the LLC. The LLC does not participate in any FSA programs. Each of the members of the GP do not provide either 1000 hours or 50% of the active personal labor needed. They do provide management and lease the equipment and labor from their own LLC. In this situation the GP is required to have two separate lease agreements, one for the labor and one for the equipment and must exercise complete control over a significant amount of the equipment for the crop year.

Producers are encouraged to contact their local FSA office for details. To find a local FSA office in your area, visit http://offices.usda.gov.

2018, 2019 and 2020 Average Adjusted Gross Income Compliance Reviews

The AGI verification and compliance reviews for 2018, 2019 and 2020 are conducted on producers who the IRS indicated may have exceeded the adjusted gross income limitations described in [7 CFR 1400.500]. Based on this review, producers will receive determinations of eligibility or ineligibility.

If the producer is determined to have exceeded the average AGI limitation of $900,000, receivables will be established for payments earned directly or indirectly by the producer subject to the $900,000 limitation. The State FSA Office has begun notifying producers selected for review. If you have any questions about the review process or determinations, please contact the MN FSA Office at 651-602-7707. Producers who receive initial debt notification letters may only appeal the amount of the debt to their local FSA office. Payment eligibility adverse determinations become administratively final 30 days from the date of the payment eligibility adverse determination letter and can only be reopened if exceptional circumstances exist that prevented the producer from timely filing the appeal.

USDA Safety Net Program Enrollment Opens for 2019 and 2020

Agricultural producers now can enroll in the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs – two U.S. Department of Agriculture (USDA) safety net programs – for the 2019 and 2020 crop year.

ARC provides income support payments on historical base acres when actual crop revenue declines below a specified guaranteed level. PLC provides income support payments on historical base acres when the effective price for a covered commodity falls below its reference price. The 2018 Farm Bill reauthorized and updated both programs.

Signup for the 2019 crop year closes March 15, 2020, while signup for the 2020 crop year closes June 30, 2020. Producers who have not yet enrolled for 2019 can enroll for both 2019 and 2020 during the same visit to an FSA county office.

ARC and PLC have options for the farm operator who is actively farming the land as well as the owner of the land. Farm owners also have a one-time opportunity to update PLC payment yields beginning with crop year 2020. If the farm owner and producer visit the FSA county office together, FSA can also update yield information during that visit.

Covered commodities include barley, canola, large and small chickpeas, corn, crambe, flaxseed, grain sorghum, lentils, mustard seed, oats, peanuts, dry peas, rapeseed, long grain rice, medium and short grain rice, safflower seed, seed cotton, sesame, soybeans, sunflower seed and wheat.

Livestock Losses

The Livestock Indemnity Program (LIP) provides assistance to eligible producers for livestock deaths in excess of normal mortality caused by adverse weather, disease and attacks by animals reintroduced into the wild by the federal government or protected by federal law.

LIP compensates livestock owners and contract growers for livestock death losses in excess of normal mortality due to adverse weather, including losses due to hurricanes, floods, blizzards, wildfires, extreme heat or extreme cold.

For disease losses, FSA county committees can accept veterinarian certifications that livestock deaths were directly related to adverse weather and unpreventable through good animal husbandry and management.

For 2019 livestock losses, eligible livestock owners must file a notice within 30 calendar days of when the loss is first apparent.

Participants must provide the following supporting documentation to their local FSA office no later than 60 calendar days after the end of the calendar year in which the eligible loss condition occurred.

- Proof of death documentation
- Copy of grower's contracts
- Proof of normal mortality documentation

USDA has established normal mortality rates for each type and weight range of eligible livestock, i.e. Adult Beef Cow = 1.5% and Non-Adult Beef Cattle (less than 400 pounds) = 5%. These established percentages reflect losses that are considered expected or typical under “normal” conditions.

In addition to filing a notice of loss, producers must also submit an application for payment by March 1, 2020.

Additional Information about LIP is available at your local FSA office or online at: www.fsa.usda.gov.

Emergency Assistance for Livestock, Honeybee, and Farm-Raised Fish Program (ELAP)

The Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program (ELAP) provides emergency assistance to eligible livestock, honeybee, and farm-raised fish producers who have losses due to disease, adverse weather or other conditions, such as blizzards and wildfires, not covered by other agricultural disaster assistance programs.

Eligible livestock losses include grazing losses not covered under the Livestock Forage Disaster Program (LFP), loss of purchased feed and/or mechanically harvested feed due to an eligible adverse weather event, additional cost of transporting water because of an eligible drought and additional cost associated with gathering livestock to treat for cattle tick fever.

Eligible honeybee losses include loss of purchased feed due to an eligible adverse weather event, cost of additional feed purchased above normal quantities due to an eligible adverse weather condition, colony losses in excess of normal mortality due to an eligible weather event or loss condition, including CCD, and hive losses due to eligible adverse weather.

Eligible farm-raised fish losses include death losses in excess of normal mortality and/or loss of purchased feed due to an eligible adverse weather event.

Producers who suffer eligible livestock, honeybee, or farm-raised fish losses from Oct. 1, 2018 to Dec. 31, 2019 must file:

- A notice of loss within 30 calendar days after the loss is apparent.
- An application for payment by Jan. 30, 2020

The following ELAP Fact Sheets (by topic) are available online:

- ELAP for Farm-Raised Fish Fact Sheet
- ELAP for Livestock Fact Sheet
- ELAP for Honeybees Fact Sheet

To view these and other FSA program fact sheets, visit the FSA fact sheet web page at www.fsa.usda.gov/factsheets.

Beginning Farmer Loans

FSA assists beginning farmers to finance agricultural enterprises. Under these designated farm loan programs, FSA can provide financing to eligible applicants through either direct or guaranteed loans. FSA defines a beginning farmer as a person who:

- Has operated a farm for not more than 10 years
- Will materially and substantially participate in the operation of the farm
- Agrees to participate in a loan assessment, borrower training and financial management program sponsored by FSA
- Does not own a farm in excess of 30 percent of the county's average size farm.

Additional program information, loan applications, and other materials are available at your local USDA Service Center. You may also visit www.fsa.usda.gov.

Disaster Set-Aside (DSA) Program

FSA borrowers with farms located in designated primary or contiguous disaster areas who are unable to make their scheduled FSA loan payments should consider the Disaster Set-Aside (DSA) program.

DSA is available to producers who suffered losses as a result of a natural disaster and is intended to relieve immediate and temporary financial stress. FSA is authorized to consider setting aside the portion of a payment/s needed for the operation to continue on a viable scale.

Borrowers must have at least two years left on the term of their loan in order to qualify.

Borrowers have eight months from the date of the disaster designation to submit a complete application. The application must include a written request for DSA signed by all parties liable for the debt along with production records and financial history for the operating year in which the disaster occurred. FSA may request additional information from the borrower in order to determine eligibility.

All farm loans must be current or less than 90 days past due at the time the DSA application is complete. Borrowers may not set aside more than one installment on each loan.

The amount set-aside, including interest accrued on the principal portion of the set-aside, is due on or before the final due date of the loan.

For more information, contact your local FSA farm loan office.