

Crop Disaster Program 2005-2007 (Quality Losses)

Overview

The U.S. Department of Agriculture Farm Service Agency's (FSA) Crop Disaster Program 2005-2007 (CDP) provides benefits to farmers who suffered quality losses (as well as quantity losses) from natural disasters and related conditions to 2005, 2006 or 2007 crops. Producers who incurred qualifying losses in 2005, 2006 or 2007 must choose only one year for which to receive benefits. They may receive benefits for multiple crop losses if all were in the same crop year.

The "U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007" (2007 Act) authorizes CDP. President Bush signed the 2007 Act into law on May 25, 2007. The 2007 Act charges USDA with implementing CDP.

On Dec. 26, 2007, President Bush signed the Consolidated Appropriations Act, 2008, which extends CDP payments to eligible farmers who suffered 2007 crop losses throughout the 2007 crop year.

When and Where to Apply

Farmers may apply to receive CDP quality loss benefits by visiting their local FSA service center beginning June 23, 2008.

Eligibility Requirements

To receive CDP benefits for quality losses, farmers must have:

- had crop insurance or been covered under the Noninsured Crop Disaster Assistance Program (NAP) for the disaster year that the quality loss occurred;
- suffered quality losses to an eligible 2005, 2006 or 2007 crop;
- complied with Highly Erodible Land Conservation and Wetland Conservation provisions for the 2005, 2006 and 2007 crop year; and
- been entitled to an ownership share of the crop.

FSA may make CDP payments for losses suffered by an eligible participant who is a dissolved entity if a representative, with proper authority to enter into a contract, signs the CDP application.

Persons attempting to falsify or misrepresent information submitted to receive CDP assistance are ineligible for CDP payments. FSA will recalculate payments distributed to persons found to have submitted incorrect information. Those individuals are responsible for repaying excess funds with interest beginning from the date that FSA distributed the payment. All persons with a financial interest in the operation who receive CDP funds improperly are responsible for any refund.

Calculating Payments

Producers are eligible for CDP assistance for quality losses of at least 25 percent. All crops are eligible for quality losses except for value loss crops and some specialty crops. Value loss crops ineligible for quality losses include aquaculture, floriculture, mushrooms, ginseng root, ornamental nursery and Christmas trees. Specialty crops ineligible for quality losses include honey, maple sap and turf grass sod.

Quality loss payments will be 65 percent of the amount of the affected crop (limited to the expected production based on harvested acres) multiplied by 42 percent of the per-unit average market value (based on percentage of the quality loss for the crop).

FSA will base payment rates on five broad loss levels, determined as shown in the chart that follows.

Level	For estimated quality loss ranges (percentage)	The following percentages of *established prices are used:
I	25.0 and 34.9	30
II	35.0 and 54.9	45
III	55.0 and 74.9	65
IV	75.0 and 94.9	85
V	95.0 and 100.0	95

Verifiable production records must include the quantity of production, indicate level of quality loss and the price.

All marketing contracts for a crop must be provided for production sold under a marketing contract.

Verifiable production records include, but are not limited to: commercial receipts, settlement sheets, warehouse ledger sheets, load summaries or acceptable forage test.

* Established prices are marketing contract prices, catastrophic risk protection, Actual Production History prices or 5-year average prices.

Example:

A farmer with 45 acres produces a normal yield from his 2007 corn crop of 175 bushels. However, due to extreme weather conditions, the quality was affected down to a Level IV. Using the 2007 corn price of \$3.50 per bushel, the farmer's quality payment would be \$6,395.88.

(45 acres x 175 bushels x 85% Level IV x 65% of amount affected x \$3.50 crop price x 42% per-unit average market value = \$6,396)

Marketing Contracts

Production of a commodity sold under a marketing contract is eligible for CDP quality loss benefits based on one or more prices specified in the contract. When there are multiple marketing contract prices, FSA will calculate a weighted average to determine a single blended price.

Marketing contracts must either specify quality standards or a method to determine quality standards from published third party data.

Also, the farmer must have produced the commodity in the crop year specified in the contract for FSA to consider a commodity sold pursuant to the marketing contract. In addition, the commodity must have either been sold under the terms of the contract or the participant attempted to deliver the commodity to the purchaser, but the commodity was rejected because of quality factors specified in the contract.

Quality Losses, Participant Responsibility

In determining affected production, participants must supply verifiable production records to substantiate the level of quality loss to the FSA county committee.

Economic Loss

In order to qualify for payment, the value of quality-affected production must have been reduced by at least 25 percent compared to its value if the crop had not suffered a quality loss. Economic loss is determined at the level for which verifiable records exist, such as bale, truckload or bin.

Payment Limitations

Each farmer may receive no more than \$80,000 in CDP benefits. Producers may receive CDP benefits for only one crop year.

Producers may receive up to 95 percent of the value of the expected production for the relevant period.

Individuals or entities whose adjusted gross income exceeds \$2.5 million are ineligible for CDP benefits, unless 75 percent or more of their income is derived from agriculture.

Farmers receiving CDP payments will have their benefits reduced by the amount they received under

Fact Sheet

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the Hurricane Indemnity Program,
Hurricane Disaster Programs, 2005
Louisiana Sugarcane Hurricane
Disaster Assistance Program or
2005 Crop Florida Sugarcane
Disaster Program.

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