

# Texas FSA Today

*AN ONLINE MONTHLY NEWSLETTER COVERING THE HOTTEST TOPICS IN FEDERAL FARM PROGRAMS*

September 2008

## *County Committee Elections*

A slate of nominees for your county committee election has been established. The next step in the election process is mailing the ballots, which will begin on November 3, 2008. Voters have until December 1, 2008, to return properly completed ballots to the county office. Elected committee members and alternates take office on Jan. 1, 2009.

**Prospective Voter Requirements** - Anyone who is eligible to participate in any FSA program provided by law, regardless of the status of funding, and who meets one of the following requirements is eligible to vote for county committee members.

1. Voter is of legal voting age and participates or cooperates in any FSA program, or
2. The voter is not of legal voting age, but supervises and conducts the farming operations on an entire farm.

**Discrimination Prohibited** - No person shall be denied the right to vote because of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation or marital or family status.

If you have any questions about your eligibility to vote, please contact your county office staff.

## *2008 DCP*

Producers have until September 30, 2008 to sign up in the Direct and

Counter-cyclical Program (DCP) for this fiscal year. Participants can expect their final direct payment to be directly deposited into personal bank accounts sometime during the first few weeks of October.

Producers who did not elect to receive an advance direct payment will receive their entire direct payment for the year in one lump sum after the end of the fiscal year (September 30).

The direct payment for a crop equals 85 percent of the farm's base acreage times (x) the farm's direct payment yield times (x) the direct payment rate.

If there are any unearned payments, Commodity Credit Corporation will automatically subtract those amounts from the final DCP payments a producer is about to receive.

## *Producer Identifying Numbers*

The IRS requires recipients of FSA payments to provide identifying numbers to USDA so that payments can be correctly credited to participants' total earnings and reported to the IRS.

Although a personal social security number may be used, for any business outside of an individual, the simplest solution would be to obtain an IRS tax identification number. Program payments will NOT be issued using temporary ID numbers.

Specific provisions apply to limited liability corporations, limited partnerships, valid trusts, estates,

non-resident aliens as well as for joint payees and husband and wife business structures. Contact your local FSA office for details.

## *Buy-In Waiver*

Producers can establish 2008 eligibility for the new disaster assistance programs by paying a fee as required by the Food, Conservation and Energy Act of 2008 (the 2008 Farm Bill).

Ordinarily producers who wish to participate in the new disaster programs would need crop insurance or non-insured crop disaster assistance (NAP) coverage on all farms in all counties in which they have an interest. Since the 2008 Farm Bill was enacted after the application periods had closed for those programs, producers who did not have NAP or crop insurance coverage could not comply with this requirement in order to be eligible. However, the Farm Bill authorizes a waiver that allows producers to pay a fee, called a "buy-in" fee, to be eligible for the new disaster assistance programs.

The buy-in fee is due no later than Sept. 16, 2008, 90 days after the date of enactment, as required by the 2008 Act. Payment of the applicable fees will allow the producer to be eligible for financial assistance under the Supplemental Revenue Assistance Program (SURE), Livestock Forage Disaster Program (LFP), Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish (ELAP) and the Tree Assistance Program (TAP). Those who miss this opportunity will not be

eligible for 2008 disaster assistance. Producers are also reminded that the payment of the applicable buy-in fee does not provide the producer crop insurance or NAP coverage for the 2008 crop year; it only affords eligibility for the disaster programs.

The determination of buy-in fees will be based on the insurability or NAP eligibility of the crop on the sales closing deadline. Therefore, subsequent crops must have coverage or have the buy-in fee collected in order for the producer to maintain SURE eligibility. If the producer listed all crops, including the subsequent crops, on the summary of coverage then the producer is considered to have coverage, regardless of the indemnity election made by the producer. If all crops, including subsequent crops, are not listed on the summary of coverage the producer is required to pay the buy-in fee in order to be eligible for SURE.

### *NAP Coverage*

The Non-Insured Crop Disaster Assistance Program (NAP) was designed to reduce financial losses that occur when natural disasters cause a catastrophic loss of production or prevented planting of an eligible crop by providing coverage equivalent to catastrophic (CAT) insurance. Statute limits NAP to each commercial crop or agricultural commodity, except livestock, for which CAT is not available.

The application deadline date for the 2009 coverage on fall seeded crops has been extended to December 1, 2008. In order to be eligible for disaster assistance programs, like SURE, producers are required to timely purchase, at a minimum, CAT coverage for all insurable crops and/or NAP coverage for all non-insurable crops on their entire farm(s).

NAP coverage for 2009 costs \$250 per crop, but not more than \$750 per producer per county, or not more than \$1875 total per producer for all counties.

Producers who already have coverage on 2008 NAP crops may choose to continue coverage on the same crop or crops for 2009, if the applicable service fee is submitted by the application closing date. A new CCC-471, application for coverage is not required to be signed when applying for continuous coverage of the same crop or crops.

Exception: Producers who choose to add a new crop(s) or delete a crop(s) from previous year's coverage or change crop shares must file a new CCC-471 with signatures and pay the applicable service fee.

Producers with 2008 NAP coverage must remember to complete the following to qualify for benefits:

Timely file acreage reports and keep track of harvested production using acceptable methods. For example, bale weights or other means of determining quantities of hay are required.

File a "Notice of Loss" within 15 days of when a loss is apparent, due to drought, hail, etc.

### *Succession in Interest*

If you have made any changes that affect your interest in base acres since you signed your last Direct and Counter-cyclical Program contract, you must report these successions-in-interest to the county committee by Sept. 30, so that a final determination can be made on who is program eligible on the property.

Changes that qualify as a succession-in-interest include:

A sale of land

A change of operator or producer, including an increase or decrease in the number of partners

A foreclosure, bankruptcy or involuntary loss of the farm.

A change in producer shares to reflect changes in the producer's share of the crop(s) that were originally approved on the contract.

If a succession-in-interest has taken place, you, as the "predecessor," are required to refund any advance DCP payments you received for the affected base acres before a payment can be made to the "successor."

Not reporting a succession-in-interest can result in contract termination and a loss of program benefits for all producers involved.

### *ECP Funds Available*

Texas Farm Service Agency (FSA) is distributing more than \$5.7 million in new Emergency Conservation Program (ECP) funds to help farmers and ranchers in 10 eligible counties to rehabilitate land damaged by natural disasters or drought since last September.

**Texas counties eligible for ECP funds are: Callahan, Coke, Crockett, Duval, Hidalgo, Irion, King, Knox, Sterling and Taylor**

ECP provides emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures in periods of severe drought. Producers can use ECP funds for a variety of purposes, including removal of farmland debris, restoring fences and repairing conservation structures. FSA county committees determine land eligibility based on on-site inspections of damage, taking into account the type and extent of damage.

For land to be eligible, the natural disaster must create new conservation problems that:

- if untreated, will impair or endanger the land;
- materially affect the land's

productive capacity;

- represent unusual damage that, except for wind erosion, is not of the type likely to recur frequently in the same area; and
- would be so costly to repair that federal assistance is or will be required to return the land to productive agricultural use.

All of the above conditions must be met for eligibility. Conservation problems existing prior to the disaster are not eligible for cost-share assistance. Producers should check with their local county FSA offices regarding ECP sign-up periods.

### ***SAFE Conservation Projects***

Enrollment in Texas State Acres for Wildlife Enhancement (SAFE) continues. SAFE is a component of the Conservation Reserve Program (CRP), tailored to specific watershed areas.

SAFE practices serve to restore wildlife habitat by establishing small blocks of grassland (10-40 acres) and enhancing existing habitats. Certain wildlife species are in decline, and SAFE habitats are designed to help revitalize these populations.

Under CRP, farmers and ranchers enroll eligible land in 10 to 15-year contracts. These plantings help prevent soil and nutrients from running into regional waterways and affecting water quality. The long-term vegetative cover also improves wildlife habitat and soil quality.

In addition to the annual rental payment and cost-share, SAFE may offer participants an up front one-time CRP Signing Incentive Payment (SIP) of \$100 per each SIP-eligible acre and a Practice Incentive Payment when cost share is made.

For more information about potential SAFE projects in your area, contact your local FSA office.

### ***Continuous CRP***

The Continuous Conservation Reserve Program is a private lands environmental improvement program that allows participants the opportunity to enroll environmentally sensitive acreages in conservation practices that will reduce soil erosion, improve water and soil quality and provide wildlife habitat and food sources.

The Continuous CRP program is a voluntary enrollment program. Eligible landowners enter into contracts that range from 10 to 15 years in length. In return, the landowners will receive annual rental and maintenance payments, incentive payments for certain activities, and cost share for establishment.

To be eligible for enrollment in the Continuous CRP, participants and acreage must meet certain requirements. Provided the eligibility requirements are met, FSA will automatically accept enrollments of acreage into Continuous CRP. Landowners may enroll in the program at any time during the year.

### ***Marketing Assistance Loans***

Marketing assistance loans are available for producers who share in the risk of producing the crop. To be eligible, you must maintain beneficial interest in the crop through the time of application. Beneficial interest means retaining the ability to make decisions about the commodity; risk for loss or damage to the commodity; and title to the commodity. Once beneficial interest in a commodity is lost, the commodity is ineligible for loan — even if you regain beneficial interest.

In addition to beneficial interest requirements, commodity loan eligibility also requires you comply with conservation and wetland protection requirements, report how you use cropland acreage on the farm,

and ensure the commodity meets CCC minimum grade and quality standards. For commodities to be eligible they must have been produced by an eligible producer, be in existence and in a storable condition and be merchantable for food, feed or other uses as determined by CCC. The quality of the commodity in farm storage must be maintained throughout the term of the loan.

Producers do not have to participate in the Direct and Counter-Cyclical Program to be eligible for commodity loans.

Violating provisions of a marketing assistance loan may trigger administrative actions, such as assessing liquidated damages, calling the loan and denial of future farm-stored loans.

The most common violations are removing or disposing of a commodity being used as loan collateral without prior authorization and providing an incorrect quantity certification.

### ***Farm Loan Programs***

The Farm Service Agency (FSA) offers loans for farmers and ranchers to purchase farmland and finance agricultural operations. FSA loan programs are designed to help producers who are temporarily unable to obtain private or commercial credit. In many cases, applicants are beginning farmers who have insufficient net worth to qualify for financing through a commercial lender. Others who may benefit from the FSA loan program include borrowers who have suffered setbacks from natural disasters or persons with limited resources.

Farm ownership loans or farm operating loans may be obtained as direct loans for a maximum of up to \$300,000. Guaranteed loans can reach a maximum indebtedness of \$949,000. Emergency loans are always direct loans for farmers who may

have suffered physical or production losses in disaster areas designated by a Presidential or Secretarial disaster declaration. Rural Youth Loans, Loans to Beginning Farmers and loans for socially disadvantaged applicants are also available through FSA.

For detailed information, just contact the county office staff for an appointment with a farm loan officer.

### *Farm Loans for Socially Disadvantaged*

The Farm Service Agency makes direct and guaranteed loans to socially disadvantaged applicants, enabling them to buy and operate family-size farms and ranches. Funds are reserved each year specifically for these loans, but regular loan funds can also be used.

Direct loans may be made to qualified applicants by FSA for both farm operating and farm ownership purposes. Guaranteed farm loans also may be made for ownership or operating purposes, and may be made by any lending institution subject to Federal or state supervision (banks, savings and loans, and units of the Farm Credit System) and guaranteed by FSA. FSA typically guarantees 90 or 95 percent of a loan against any loss that might be incurred if the loan fails.

Persons who are primarily and directly engaged in farming and ranching on family-size operations may apply. A family-size farm is one that a family can operate and manage itself.

Socially disadvantaged loan applicants do not receive automatic approval. In addition to being members of a socially disadvantaged group, individual applicants under this program must meet all requirements for FSA's regular farm loan program assistance, including:

- Have a satisfactory history of meeting credit obligations.
- Have sufficient education; training,

or at least one-year's experience in managing or operating a farm or ranch within the last five years for a direct operating loan, or, for a direct farm ownership loan, have participated in the business operation of a farm or ranch for three out of the last ten years.

- Be a citizen of the United States (or a legal resident alien), including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and certain former Pacific Island Trust Territories;
- Be unable to obtain credit elsewhere at reasonable rates and terms to meet actual needs; and
- Possess legal capacity to incur loan obligations.

A socially disadvantaged person is one of a group whose members have been subjected to racial, ethnic, or gender prejudice because of his or her identity as members of the group without regard to his or her individual qualities. For purposes of this program, socially disadvantaged groups are women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americans and Pacific Islanders.

Contact the FSA County Office Farm Loan Program staff for more details and other financial options.

### *Youth Loans*

The Farm Service Agency makes loans to rural youths to establish and operate income-producing projects in connection with 4-H clubs, FFA and other agricultural groups. Projects must be planned and operated with the help of the organization advisor, produce sufficient income to repay the loan and provide the youth with practical business and educational experience. The maximum loan amount is \$5000.

#### **Youth Loan Eligibility Requirements:**

- Be a citizen of the United States (which includes Puerto Rico, the Virgin Islands, Guam, American Samoa, the

Commonwealth of the Northern Mariana Islands) or a legal resident alien

- Be 10 years to 21 years of age
- Live in a rural area or in a town of 50,000 people or fewer
- Must obtain a written recommendation and consent from a parent or guardian if the applicant has not reached the age of majority under state law
- Comply with FSA's general eligibility requirements
- Be unable to get a loan from other sources
- Conduct a modest income-producing project in a supervised program of work as outlined above
- Demonstrate capability of planning, managing and operating the project under guidance and assistance from a project advisor. The project supervisor must recommend the project and the loan, along with providing adequate supervision.

Stop by the county office for help preparing and processing the application forms. The FSA staff can help you with any questions you may have about a particular program.

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**Readers are advised that dates for FSA programs in Texas are often county-specific. Please contact your local FSA office for detailed information pertaining to your operation.**

