

USDA



Farm Service Agency

Kentucky NEWS

January 2007

\$200 Million Paid to Tobacco Quota Holders and Producers

On January 16, 2007, Farm Service Agency (FSA) will begin issuing the third round of Tobacco Transition Program Payment (TTPP) payments to eligible quota holders and producers. In 2006, FSA paid \$200,344,565 to Kentucky tobacco quota holders and producers under TTPP.

Successor-In-Interest
Beginning January 16, 2007, quota holders and producers can enter into successor-in-interest contracts for subsequent payments which would enable contract holders to receive lump-sum payment from private entities by selling the remaining seven TTPP payments. The deadline to enter into successor-in-interest contract (lump-sum) for the remaining seven TTPP payments is November 1, 2007.

Contract Holders

Contract holders may also elect to transfer their TTPP contract to a family member by completing



Form CCC-971 (Transfer of TTPP Contracts Exempt from Maximum Discount Rate) at their local County FSA Office. The deadline to request a contract transfer to a family member for the remaining seven TTPP payments is November 1, 2007.

For more information on the TTPP, visit the Tobacco Page on the USDA Farm Service Agency's web site at www.fsa.usda.gov or contact the National Tobacco Processing Center at 1-800-673-2331.

DIRECT DEPOSIT

**Do you receive
your FSA payments
by DIRECT
DEPOSIT to your
bank account?**



If not, contact your local FSA Office and provide a blank check marked "Void".

*Receive your payments
quicker and avoid extra
trips to the bank to
make the deposit.*



Have you signed your 2007 DCP Contract?

2007 Advance payments are available for Wheat, Oats, Rice, Cotton and Soybeans.

A New Year and a New Farm Bill



Jeffery S. Hall
State Executive Director

The 2002 farm bill, officially known as the Farm Security and Rural Investment Act of 2002, Public Law 107-171, was considered the most comprehensive piece of agricultural legislation in history. It extended and modified the commodity programs, expanded conservation programs, broadened rural economic development programs, and included a section on agriculturally derived fuels.

This farm bill has been the framework Congress provided to stabilize farm income and support the infrastructure for rural America. It is set to expire at the end of this current fiscal year on September 30, 2007. The direction the new farm bill will take remains to be seen.

The earliest farm bill was signed by President Franklin Roosevelt on May 12, 1933. It created a price support program for most agricultural crops. A large part of that legislation was considered to be unconstitutional and was replaced by the Agricultural Adjustment Act of 1938. Most modern day farm bills amend

the 1938 Act. The Agricultural Act of 1949 is considered the other major part of permanent legislation from which today's farm bills refer.

The history of agricultural legislation can be a little dry, but it seems remarkable there have been only 14 farm bills over the past 73 years. As much as agriculture and farming have changed, the foundation is still based on principals established sixty years ago.

The debate for the next farm bill began more than a year ago. There have been Congressional hearings to determine what is working and what needs to be changed. Secretary of Agriculture, Mike Johanns, hosted a series of 52 farm bill forums across the country to hear opinions about future agricultural policy.

From these forums, five theme papers have been written and made available to the public. They are available on the USDA website (www.usda.gov) and search for farm bill forums. These papers summarize current farm programs administered by USDA. They further highlight current issues in farming and rural communities. The papers also include major policy concerns to consider in the current farm bill debate.

There is really no reason to engage in a guessing game of what the new farm bill will include or when it will be approved. What you should do

is engage in discussions that will lead to what is included in the final bill. Participate in your farm or commodity organizations. Write to your representatives in Congress.

It is important for Kentucky farmers to have their voice heard as the new Farm Bill is shaped. If we don't get involved our opinions will never have a chance of being heard.

2007 Final Crop Reporting Dates

- ✓ **May 31:** Small Grains
- ✓ **July 16:** All crops, except small grains

United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audio tape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write: USDA, Director of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.

Payment Eligibility and Limitation

For most programs administered by FSA, the individual, entity, or entity member is eligible to receive program benefits if the average adjusted gross income does not exceed \$2.5 million and at least 75% of your average adjusted income is derived from farming, ranching or forestry operations.

Although annual filings are not required, documents used to determine eligibility are reviewed annually. It is each participant's responsibility to report changes in their operation that could affect eligibility and/or limitation. These changes include renting a new farm, giving up a farm, buying or selling land or other changes. In addition, entities such as corporations, limited liability companies, trusts and estates are required to provide names, addresses, and ID numbers of members, and notify FSA of interest as of April 1 and whenever member interests change.

Other payment eligibility and

limitation requirements to consider include:

- The producer or county committee may initiate payment eligibility and limitation determinations.
- All producers are subject to end-of-year reviews to ensure operations are completed in the manner provided on the farm-operating plan.
- Spouses may be considered separate "persons," if the determination is requested and applicable requirements are met.
- A determination of "not actively engaged in farming" results in ineligibility for payment.
- Adjusted gross income certification must be made for payment eligibility for most programs.

Programs requiring payment eligibility or limitation determinations, including the maximum payment limitation are listed in the table below.



Are You Changing Your Farming Operation this Year?

- ✓ Do you intend to clear timber areas to create or expand existing crop areas?
- ✓ Are you converting a pasture field into a crop field?
- ✓ Are there areas on your farm that you are considering cropping that have not been cropped in recent years?
- ✓ Are you disturbing a wildlife habitat area of any type?

These are questions that need to be considered to assure you remain eligible for USDA benefits. If you have any questions that something you plan to do could jeopardize your eligibility, please contact your local FSA or NRCS representative.

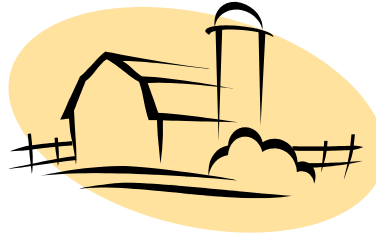
| Commodity(s)/ Crops(s) | Program/Payment Type | Program Year Limitation |
|---|--|---|
| Wheat, barley, oats, corn, grain sorghum, soybeans, minor oil seeds | Direct and Counter Cyclical Program (DCP), Direct Payments | \$40,000 |
| | DCP Counter Cyclical Payments | \$65,000 |
| | Loan Deficiency Payments (LDP) & Market Gains | \$75,000 |
| Wool, Mohair & Honey | LDP & Market Gains | \$75,000 |
| Conservation Reserve Program (CRP) Annual Rental Payments | | \$50,000 |
| Noninsured Crop Disaster Assistance Program (NAP) | | \$100,000 |
| Environmental Quality Incentive Program (EQIP) | | \$450,000 in aggregate for all contracts for FY 2002-2007 |

Farm Loan Programs

Financial Assistance Available

FSA lends money and provides financial assistance to eligible applicants who operate family-size farms. Under the Guaranteed Loan Program, FSA guarantees loans made by conventional lenders for up to 95 percent of principle. The lender may sell the guaranteed portion of the loan to a third party; however, that will not change your relationship with your lender. All loans must meet certain qualifying criteria to be eligible for guarantees, and FSA will monitor the lender's servicing of the loan. For those unable to qualify for a Guaranteed Loan, FSA offers Direct Loans, which are made and serviced by FSA. Funding for Direct loans is more limited; therefore, applicants may encounter delays in receiving loans until funding is available.

To qualify for a Direct Farm Loan, the applicant must have sufficient repayment ability and loan collateral.



Apply for Your Loan Today

FSA is committed to providing family farmers with loans to meet their farm credit needs. If you are having trouble getting the credit you need for your farm, or regularly borrow from FSA, direct and guaranteed loans are available now.

Ask your lender about an FSA loan guarantee if your lender is reluctant to renew or extend your loan.

Most FSA loan programs have special funding available for minority, female and beginning farmers.

Applying early is important!

Loan Limits Increased

Effective Oct. 1, 2006, FSA's guaranteed loan limits have increased. Limits include new guaranteed loans plus any outstanding direct or guaranteed principle balances, as indicated, owed by anyone who will sign the promissory note.

The total outstanding:

- Combined guaranteed Farm Ownership (FO) and Farm Operating (OL) principle balance cannot exceed \$899,000;

- Direct and guaranteed FO principle balance cannot exceed \$899,000;

- Direct and guaranteed OL principle balance cannot exceed \$899,000;

- Combined outstanding direct and guaranteed FO and OL balance cannot exceed \$1,099,000; and

- Combined outstanding direct and guaranteed FO, OL and Emergency Loans (EM) balance cannot exceed \$1,599,000.

Participation Loans

FSA offers a Joint Financing Loan Program within its direct Farm Ownership (FO) Program. If the applicant obtains 50% of the total funds needed from a commercial lender, the interest rate on the FO loan is fixed currently at 5 % and the term may be as long as 40 years. The commercial lender will



hold the first mortgage on the farm to be purchased. This program offers a tremendous advantage to the applicant by receiving a low blended interest rate and extended loan terms.

Socially Disadvantaged Loans

Each year FSA reserves funds to make loans to socially disadvantaged applicants to buy and operate family-size farms. Eligible persons include women, African Americans, American Indians, Alaska Natives, Hispanics, Asians and Pacific Islanders.

Interest Rates

January 2007

DIRECT

Operating Loans 5.125 %
Farm Ownership Loans 5.250%
Emergency Loans 3.75%

Noninsured Crop Disaster Assistance Program (NAP)

NAP provides financial assistance to eligible producers affected by natural disasters. Eligible crops include commercial crops and other agricultural commodities produced for food (including livestock feed) or fiber for which the catastrophic level of crop insurance is not available.



NAP covers losses greater than 50 percent of your expected production at 55 percent of the average market price.

How to Apply: To be eligible for

2007 crops, you have to file form CCC-471 with your local FSA County office and pay the applicable service fee by the applicable closing date.

Crop Reports: To remain eligible for NAP, you must annually report the crop, including: type and variety, crop location, producer shares, date the crop was planted, type of practice used and intended use (fresh, processed, etc.). Once harvested, the production must be reported.

What if the crop fails? When a covered crop is affected by a natural disaster, you must notify your local FSA office by completing a Notice of Loss (form CCC-576) within 15 calendar days of the natural disaster occurrence or the date the damage became apparent.



Landowner Designation

As a landowner, you may be able to designate the method used to divide the bases on the farm.

The parent farm owner and the purchaser or transferee must file a written memorandum of understanding with the local FSA office before the farm is divided. To be eligible for designation by landowner, the land sold or transferred must have been owned for at least 3 years. A deed does not satisfy the requirement for a written memorandum of understanding.

Contact your local FSA office for more information.

NAP Closing Dates

To be eligible for 2007 crops, you must apply at your local FSA Office by:

March 1: Alfalfa, Clover, Grass-forage, Grass-grazing, Lespedeza, and Mixed Forage

March 15: Beans, Beets, Broccoli, Cabbage, Cantaloupe, Cauliflower, Corn, Cucumbers, Eggplant, Gords, Herbs, Lettuce, Oats, Okra, Onions, Peppers, Potatoes, Pumpkins, Radish, Sorghum, Squash, Strawberries, Sweet Potatoes, Tomatoes, Turnips and Watermelons

Farm Record Changes

If you have sold or bought land, changed tenants, or rented additional land for 2007, please notify your local FSA Office so farm records can be updated.

For land purchased:

- A copy of the deed is required.
- All landowners must furnish their tax ID number.



Special Accommodations

Special accommodations will be made upon request for individuals with disabilities, vision impairment or hearing impairment. If accommodations are required, individuals should contact their local FSA County office or call the USDA Target Center at (202) 720-2600 for assistance.

2007 Annual DCP Enrollment



To participate in the Direct and Counter-Cyclical Program (DCP), producers are required to designate shares and sign the Direct and Counter-Cyclical Program Contract (CCC-509) on a yearly basis. The annual DCP sign-up period runs from October 1 to June 1 of the applicable program year. To be considered enrolled timely; the CCC-509 must be submitted by June 1 of the applicable program year. In cases where

a farm is reconstituted, all resulting farms will need to enroll (signatures obtained) if the producers intend to participate. CCC-509's with signatures obtained after June 1, but by September 30, will be accepted, but the farm will be assessed a late filed sign-up fee of \$100.

For the 2007 crop year, 22 percent of the direct payment for a covered commodity can be made in advance, down from the 40 percent allowed in prior years. The following tables provides the 2007 advance direct payment rates.

| Crop | Advance Payment Rate | Crop | Advance Payment Rate |
|---------------------|----------------------|-----------------------|----------------------|
| Wheat (bu.) | NA | Other Oilseeds (lbs.) | \$0.00176 |
| Oats (bu.) | \$0.00528 | Corn (bu.) | \$0.0616 |
| Rice (lbs.) | \$0.00517 | Grain Sorghum (bu.) | \$0.077 |
| Upland Cotton (bu.) | \$0.014674 | Peanuts (lbs.) | \$0.00396 |
| Soybeans (bu.) | \$0.0968 | Barley (bu.) | \$0.0528 |
| Flax (bu.) | \$0.09856 | | |

Signature Authority for Spouses

A husband and wife may sign FSA and CCC documents on behalf of each other unless written notification has been provided to the FSA office denying a spouse this authority. Spouses may sign most documents, except promissory notes, CRP easements, and certain security agreements.

Foreign Buyers Notification

The Agricultural Foreign Investment Disclosure Act (AFIDA) requires all foreign owners of U.S. agricultural land to report their holdings to the Secretary of Agriculture. Foreign persons who have purchased or sold agricultural land in the county are required to report the transaction to FSA within 90 days of the closing. Failure to submit the AFIDA report could result in civil penalties of up to 25 percent of the fair market value of the property.

Payments Reported to IRS



Producers who received program payments from FSA in 2006 should receive a form CCC-1099 by January 31, 2007. The CCC-1099 reports the amount of payments or refunds made to you or by you to the Internal Revenue Service (IRS).



Change of address must be reported to your LOCAL FSA County Office

FSA to Survey Participants

To determine producer satisfaction with FSA programs, FSA has partnered with the Department of Treasury and the University of Michigan to design American Customer Satisfaction Index (ACSI) surveys for recipients of DCP and MAL's, including LDP's. FSA customer satisfaction surveys will be administered to randomly-selected participants.

2007 MILCX Option

Eligible dairy operations, that produce and commercially market milk from cows in the U.S., are eligible for Milk Income Loss Contract Extension (MILCX) Program benefits. The MILCX Program is authorized through September 30, 2007. If you are a new dairy operation, stop by your local County FSA office for more information on the Milk Income Loss Contract Extension (MILCX) Program.

Dairy Operations that are awaiting corrections to be made on their MILCX contract, in order to receive a previous months' payment on production, can expect correction software to arrive in the county office sometime this next month.

Changes to the production start month for MILCX pay-

ments must be submitted to the local County FSA office on or before the 14th of the month before the:

- month originally selected, or
- newly requested MILCX production start month.

MILCX Payment rates for recent month are listed in the table below.

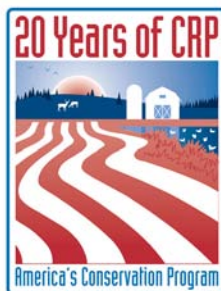
| Year | Month | Rates (\$/cwt) |
|------|----------|----------------|
| 2007 | January | \$0.0340000 |
| 2006 | December | \$0.4284000 |
| 2006 | November | \$0.4386000 |
| 2006 | October | \$0.4318000 |

Continuous CRP

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

The 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.



Riparian Buffer with Water Facility

For more information on Continuous CRP enrollments contact your local FSA office or visit on-line <http://www.fsa.usda.gov/conservation>.

Crop Acreage Reports Required

Producers who participate in the Direct and Counter-Cyclical Program (DCP) or request a commodity loan or LDP are required to annually report all crops on the farm to the local FSA County office. FSA program participation depends on accurate acreage reports. If a crop is not planted by the final reporting date, the report must be filed by 15 calendar days after the planting is completed to be timely filed.

Final Reporting Dates

May 31 Small Grains

July 16 All Other Crops, except Small Grains

Sept 30 Value Added Crops
(Sod Grass, Crustaceans, Christmas Trees, Fin Fish, Ornamental Nursery, Floriculture)

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Contact your local FSA County Office to:

- ✓ Obtain additional information on FSA programs, or
- ✓ Report a name and/or address change.

USDA Farm Service Agency
771 Corporate Dr., Ste. 100
Lexington KY 40503-5478

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Farm Service
Agency *online*



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www.usda.gov

- eLDP
- eDCP
www.fsa.usda.gov

- Kentucky FSA NEWS
www.fsa.usda.gov/ky

Bank Account Changes

If you make any changes in your bank account or change banks notify FSA to ensure payments reach your account timely. Payments can be delayed if we are not aware of changes to your account or routing numbers.

Important Dates

- ✓ **Feb. 19** Washington's Birthday - FSA Offices Closed
- ✓ **March 1** Final date to purchase NAP coverage for Alfalfa, Clover, Grass-forage, Grass-grazing, Lespedeza and Mixed Forage
- ✓ **March 15** Final date to purchase NAP coverage for spring planted NAP crops, such as watermelons, pumpkins, squash, peppers, green beans, etc.
- ✓ **March 31** Final date to for LDP on 2006 Small Grains
- ✓ **May 28** Memorial Day - FSA Offices Closed
- ✓ **May 31** Final date to certify Small Grain planted acreage
- ✓ **June 1** Final application date for 2007 DCP
- ✓ **July 4** Independence Day - FSA Offices Closed
- ✓ **July 16** Final date to certify all crops, except small grains