



August 2007

## State Executive Director Comments

Greetings,

We are still waiting for an announcement regarding a sign-up period for the 2005,2006 and 2007 Crop Disaster Program and Livestock Assistance Program. As of the publication of this newsletter, we still do not have any specific details concerning the dates for signup, but we are anticipating a late fall signup. The working details of the program are being formulated at the National Office at the present time.



I would like to remind each of you to participate in the upcoming County Committee election process. I encourage all eligible voters to turn in a ballot by December 3.

Wishing you a safe and bountiful harvest.

*Gary J. Nelson, FSA State Executive Director*

## Beginning Farmer and Rancher Loans

The Farm Service Agency (FSA) provides direct and guaranteed loans to beginning farmers and ranchers who are unable to obtain financing from commercial credit sources. Each fiscal year, the Agency targets a portion of its direct and guaranteed farm ownership (FO) and operating loan (OL) funds to beginning farmers and ranchers.

A beginning farmer or rancher is an individual or entity who (1) has not operated a farm or ranch for more than 10 years; (2) meets the loan eligibility requirements of the program to which he/she is applying; (3) substantially participates in the operation; and (4) for FO loan purposes, does not own a farm greater than 30 percent of the average size farm in the county. (Note: all applicants for direct FO loans must have participated in the business operation of a farm for at least 3 years.) If the applicant is an entity, all members must be related by blood or marriage, and all stockholders in a corporation must be eligible beginning farmers.

### Maximum Loan Amounts:

Maximum amounts of indebtedness are:

- Direct FO or OL: \$200,000
- Guaranteed FO or OL: \$899,000 (Amount varies annually based on inflation).

### Down Payment Farm Ownership Loan Program

FSA has a special down payment FO loan program to assist beginning farmers and ranchers to purchase a farm or ranch. This program also provides a means for retiring farmers and ranchers to transfer their land to a future generation.

To qualify:

- An applicant must make a cash down payment of at least 10 percent of the purchase price.
- FSA may provide a maximum amount equal to 40 percent of the purchase price or appraised value, whichever is less.

The term of the loan is 15 years at a fixed interest rate of 4 percent.

- The remaining balance may be obtained from a commercial lender or private party. FSA can provide up to a 95 percent guarantee if financing is obtained from a commercial lender. Participating lenders do not have to pay a guarantee fee.
- The purchase price or appraised value, whichever is lower, may not exceed \$250,000.

### Sale of Inventory Farmland

FSA advertises acquired farm property within 15 days of acquisition. Eligible beginning farmers and ranchers are given first priority to purchase these properties at the appraised market value for the first 135 days after acquisition. If more than one eligible beginning farmer or rancher offers to purchase the property, the buyer is chosen randomly.

### Joint Financing Plan

Beginning farmer or rancher applicants may choose to participate in a joint financing plan that is also available to other applicants. In this program, FSA lends up to 50 percent of the amount financed; and another lender provides 50 percent or more. FSA will charge a reduced interest rate on the loan.

We encourage you to contact your [local FSA office](#) or [USDA Service Center](#) to learn more about our FSA loan programs and the information you will need for a complete application.

## FSA's 2007 National Compliance and Spot Check Review

FSA is committed to delivering accurate program payments to America's agricultural producers. The accuracy of payments not only benefits farmers and ranchers but also maximizes taxpayer dollars and government efficiency.

As part of the 2007 National Compliance Review, FSA's national office is requiring local FSA county offices to conduct compliance reviews and spot checks of certain producers selected by the national office through a statistical sampling method. A statistical sample of FSA employees, County Committee (COC) and State Committee (STC) members has also been selected for review using this same process.

FSA may review a producer's operations in multiple states and counties, depending on the scope of the producer's operations. FSA will review both the accuracy of the representations made by the selected producers in connection with participation in FSA programs as well as the producer's compliance with applicable program requirements. The reviews may need to be conducted at various times throughout the year depending on the FSA programs in which the producer is participating. FSA appreciates the cooperation of its customers as the agency continues to enhance its operations.

FSA's goal is to ensure that program dollars are delivered effectively and efficiently so America's farmers and ranchers can provide safe and abundant food, fiber and fuel for consumers at home and abroad.

## Late-Filed Acreage Reports

The deadline for timely filing an acreage report in North Dakota for the 2007 program year was July 16. Acreage reports must be filed for all cropland on the farm before any 2007 DCP or CRP payments can be made or before eligibility can be established for marketing assistance loans and LDP's. Additionally, participants of the Conservation Reserve Program (CRP) and the Non-insured Assistance Program (NAP) must report the specific acreage for which benefits are being requested.



A late-filed acreage report may be accepted if the producer pays the late filing fee, physical evidence of the crop exists, and the crop's use can be verified.

## Measurement Service Rates

A measurement service request is a request for any farm visit or acreage determination including visits to determine exact areas designated for specific cropland or land use, to determine quantity of farm-stored commodities, or to redetermine measurements of farm-stored production. The mandatory rate for conducting measurement service in North Dakota is a \$30 basic farm fee plus \$16 for the first hour and \$8 for every 30 minutes after the first hour. Measurement service fees are collected from the producer making the request before the service is performed based on an estimate of the time it will take to complete the service.

## Removing Loan Collateral

Producers with outstanding CCC loans are reminded that written authorization is required from the county FSA office prior to removal of the loan collateral. That includes movement to any location not designated as a storage structure on the note and security agreement. Loans are subject to spot check. Unauthorized removal or disposition of loan collateral is considered a violation and the producer is subject to monetary and administrative penalties.

If removed for sale, a marketing authorization must be obtained prior to removal. The marketing authorization requires the buyer to issue payment to CCC. If a producer does not want the buyer's check to include the names of other lienholders, a request can be made on the marketing authorization to issue the payment solely to CCC. This request must be completed in person at the county FSA office that disbursed the loan. The request cannot be approved until all parties who signed the original note and security agreement have signed the marketing authorization.

Producers intending to move 2006 loan collateral in preparation for the 2007 harvest must contact the local county FSA office prior to removing the commodity.

## Beneficial Interest

Eligibility for loan and loan deficiency payment requires that beneficial interest be retained in the commodity. When a commodity is delivered off the farm to a location that does not have a CCC storage agreement or a Federal or State license to warehouse commodities, beneficial interest is considered lost on the date of delivery. Sales or purchase agreements, delayed price and future delivery contracts can also impact the date beneficial interest is considered lost. Producers who complete the CCC-633 EZ page 1 prior to loss of beneficial interest maintain their LDP eligibility options. Producers planning to use any type of sales or purchase contract should contact their local county FSA office to discuss the potential impact of the contract on beneficial interest.

## Commingling Commodities

Producers are reminded that 2007 crop should not be commingled with prior year quantities if intending to request a loan or LDP on the 2007 crop. Commingling the crops without first having the prior year

quantity measured may result in loss of eligibility for loan or LDP on the 2007 crop. Contact your local county FSA office to request measurement service prior to commingling.

## Ineligible Commodities

To be eligible for loan or LDP, commodities must meet the U.S. Grain Standards definition for the commodity. There is no loan rate for mixed grain; therefore mixed commodities are not eligible for loan or LDP.

Hulless oats, hulless barley and blue corn also do not meet the U.S. Grain standards definitions and are not eligible for loan or LDP.

## Late Filed Provisions

CCC-509's, for which missing signatures and supporting documentation are obtained **after August 3, but by September 28**, will be considered late-filed. CCC will assess a late-filed sign-up fee of \$100 per farm for any farm enrolled between June 1 and by September 30, of the fiscal year in which the DCP payments are requested. The late-filed sign-up fee must be collected before an approval can be made. If CCC-509's are not filed by September 28, the producers are ineligible for that fiscal year's DCP payments on that farm.



## Maintaining DCP Acres

DCP participants are required to protect all base acres from erosion and weeds. Fields designated as "base acres" must have an eligible cover such as crop residue or volunteer grasses. Weeds are not an acceptable cover and must be maintained. Failure to control weeds on base acres may result in a reduction of program benefits if the County Committee determines that a good faith effort to control weeds and/or erosion was not made.

## DCP Contract Succession-in-interest

The statute provides that a transfer of, or change in, the interest of the producers on a farm for which DCP payments are made shall result in the termination of the payments with respect to the base acres, unless the transferee or owner of the acreage agrees to assume all obligations under the contract. All successors and any other producers shall sign the revised CCC-509 no later than **September 28** of the current fiscal year. Failure to do so will result in the loss of DCP payments for that FY.

After CCC-509 is approved, changes made to the contract for any of the following are successions-in-interest:

- A transfer or change in the interest of a producer
- Sale of land
- Change of operator or producer
- Foreclosure, bankruptcy, or involuntary loss of the farm
- Change in producer share

Each affected producer or owner must inform the COC of the changes in interest not later than **September 28** of the current fiscal year, if:

- Producers remain the same but shares change
- A new producer is being added to the contract

If a change in interest occurs requiring a succession to CCC-509, but COC is not informed of the change **by September 28** of the current fiscal year:

- Neither the predecessors nor the successors are eligible for the current year DCP payments on the farm
- CCC-509 will be terminated for the current year with respect to the predecessors
- The successors may sign a CCC-509 for subsequent fiscal years, if applicable.

# FSA Guaranteed Farm Loans

FSA Guaranteed loans provide lenders (e.g., banks, Farm Credit System institutions, credit unions) with a guarantee of up to 95 percent of the loss of principal and interest on a loan. Farmers and ranchers apply to an agricultural lender, which then arranges for the guarantee. The FSA guarantee permits lenders to make agricultural credit available to farmers who do not meet the lender's normal underwriting criteria.

FSA guaranteed loans are for both Farm Ownership and Operating purposes. Like the [Direct Loan Program](#), a percentage of Guaranteed Loan funds are targeted to beginning farmers and ranchers and minority applicants.

## Loan Purposes

### Guaranteed Ownership Loans:

Guaranteed Farm Ownership (FO) Loans may be made to purchase farmland, construct or repair buildings and other fixtures, develop farmland to promote soil and water conservation, or to refinance debt.

### Guaranteed Operating Loans::

Guaranteed Operating Loans (OL) may be used to purchase livestock, farm equipment, feed, seed, fuel, farm chemicals, insurance, and other operating expenses. Operating Loans can also be used to pay for minor improvements to buildings, costs associated with land and water development, family living expenses, and to refinance debts under certain conditions.

## Maximum Loan Size

FSA can guarantee OLs or FO loans up to \$899,000 (amount adjusted annually based on inflation).

## Borrower Eligibility

To qualify for an FSA Guarantee, a loan applicant must:

- Be a citizen of the United States (or legal resident alien), which includes Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and certain former Pacific Trust Territories.
- Have an acceptable credit history as determined by the lender.
- Have the legal capacity to incur the obligations of the loan.
- Be unable to obtain a loan without a guarantee.
- Not have caused FSA a loss by receiving debt forgiveness on more than 3 occasions.
- Be the owner or tenant operator of a family farm after the loan is closed. For an OL, the producer must be the operator of a family farm after the loan is closed. For an FO Loan, the producer needs to also own the farm.
- Not be delinquent on any Federal debt.

Entities (corporations, cooperatives, joint operations, partnerships, trusts, and limited liability companies) and their members/stockholders must meet these same eligibility requirements. The entity must also be authorized to operate a farm or ranch in the State where the land is located.

## What Other Criteria Does FSA Consider?

In addition to meeting the eligibility criteria, the loan applicant must have a satisfactory credit history, demonstrate repayment ability, and provide sufficient security for the loan.

## If the Producer Qualifies, What Next?

The following actions are usually taken as part of the application process:

- The producer and lender complete the guaranteed application and submit it to FSA (FSA will assist if needed.)
- FSA reviews the application for eligibility, repayment ability, security, and compliance with other regulations.
- FSA approves and obligates the loan.
- The lender receives a conditional commitment indicating funds have been set aside, and the loan may be closed.
- The lender closes the loan and advances funds to the producer.
- FSA issues the guarantee.

## Loan Terms and Interest Rates

Repayment terms vary according to the type of loan made, the collateral securing the loan, and the producer's ability to repay. OLs are normally repaid within 7 years and FO loans cannot exceed 40 years.

The Guaranteed loan interest rate and payment terms are negotiated between the lender and the borrower. Interest rates on these loans may not exceed the rate charged the lender's average farm customer. In addition, under the Interest Assistance Program, FSA will subsidize 4 percent of the interest rate on loans to qualifying borrowers.

## Security

Each loan must be adequately secured. Collateral for OLs consists of a first lien on crops to be produced and on livestock and equipment purchased or refinanced with loan funds. A lien may be taken on certain other chattel and real estate property, and an assignment usually will be taken on income such as that from a dairy enterprise. Collateral for FO loans consists of real estate only or a combination of real estate and chattels.

## Is this the Lender's Loan or an FSA Loan?

Guaranteed loans are the property and responsibility of the lender. The lender makes the loan and services it to conclusion. If successful, the borrower is able to repay the loan and no taxpayer money will be used except for administrative expenses. If a loan fails, and the lender suffers a loss, FSA will reimburse the lender with Federal funds according to the terms and conditions specified in the guarantee.

## What Happens if the Loan Becomes Delinquent or the Borrower Defaults?

The lender must notify FSA when a borrower is 30 days overdue on a payment and is unlikely to bring the account current within 60 days, or if a loan is otherwise a problem. Lenders are encouraged to work with the borrower to resolve any problems.

## Percent of Guarantee

For most loans, the maximum guarantee is 90 percent. The guarantee percentage will be determined by FSA based on the risk involved in the loan. The lender may receive a 95 percent guarantee when:

- The purpose of the loan is to refinance direct FSA farm credit program debt. If only a portion of the loan is for this purpose, a weighted percentage of guarantee will be used.
- The loan is made to a beginning farmer to participate in the beginning farmer down payment loan program or a qualifying State beginning farmer program.

## Where to Go for More Information

Further information and applications for FSA loan programs are available at the Agency's local county offices.

**2008 NAP**

The Noninsured Assistance Program (NAP) provides financial assistance to eligible producers affected by a natural disaster. The program covers crops for which Federal Crop Insurance is not available. NAP covers losses greater than 50% of your expected production, based upon your approved yield and reported acreage. To apply for 2008 crop coverage, producers must complete a CCC-471 application for coverage and pay the service fee. The application and service fee must be filed by the applicable sales closing date. The service fee is \$100 per crop per county or \$300 per producer per county, not to exceed \$900 per producer in all counties.

Producers must purchase NAP policies for fall seeded crops by December 1, 2007.

**NAP Notice of Loss Required**

Producers with NAP should file a notice of loss if they believe their crops have suffered a yield loss. In addition, if a producer is going to abandon a crop with NAP coverage, the crop must be appraised prior to destruction of the acreage to ensure coverage. Producers with NAP coverage on grazing land should also file a notice of loss if they have suffered a loss in grazing capacity on pastures.

A NAP payment will be made if a unit suffers a loss of production in excess of 50 percent. The payment rate for NAP is 55 percent of the established market price for the crop.

<b>Dates to Remember</b>	
September 28	Deadline to late-file a CCC-509, Direct and Counter-cyclical Program Contract.
September 30	Deadline to electronically file a CCC-509, Direct and Counter-cyclical Program Contract, using eFile.
November 2	Ballots for the County Committee Elections will be mailed to eligible voters.
December 1	Deadline to purchase NAP on Fall Crops including forages, grapes and honey.
December 3	The last day to return County Committee Election ballots.

<b>Selected Interest Rates for August 2007</b>	
90-Day Treasury Bill	4.750%
Farm Operating - Direct	5.500%
Farm Ownership - Direct	5.625%
Limited Resource	5.000%
Farm Ownership - Direct Down Payment, Beginning Farmer or Rancher	4.000%
Emergency	3.750%
Farm Storage Facility	5.000%
Sugar Storage Facility	5.250%
Commodity Loans 1996-Present	6.000%

**2006 Final CC Rates**

The 2006 Final Counter-Cyclical (CC) payment rates for wheat, barley and oats have been announced as:

Wheat	\$ .00
Barley	\$ .00
Oats	\$ .00

The final CC payment rates for corn, soybeans and grain sorghum will be determined on October 1, 2007.

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