Farm Service Agency

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Caldwell County Newsletter

Caldwell County USDA Service Center

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Hours
Monday – Friday
8:00 a.m. – 4:30 p.m.

County Committee
Joe Graham, Chairperson
Kevin Stonum, Vice Chair
Terry Wright, Member
Wanda Stubbs, Advisor

County Executive Director
Debbie Clevenger

Program Technicians
Betty Dunscombe
Debbie Leeper
Carol Gorham
Mary Finch

Field Assistant
Mark Burnett

Farm Loan Manager
Annette Brandt—available in Caldwell County every other Tuesday

The Caldwell County FSA staff has recently attended their initial training on the Farm Bill programs that will be effective beginning with the 2009 fiscal / crop year. Although many of the rules are still being written for the programs, this newsletter is primarily a “heads up” to you of some of the changes that are coming so that you can begin planning now. There are still many unknown rules and it will take awhile for both producers and office staff to be completely educated with the new provisions. As the specific details come out, more newsletters will be sent and public meetings held to discuss the programs and the decisions that need to be made. The topics of this newsletter include:

- The implementation of direct attribution for payment limitations
- Average Crop Revenue Election (ACRE)
- Supplemental Revenue Assistance Payments (SURE)
- Adjusted Gross Income (AGI) provision changes

The one known item is that all eligibility forms completed to receive payments are being changed and each producer receiving a payment will have to complete new forms. Power of attorney forms on file may no longer be valid as well. We are hopeful they will work, but are waiting on a decision to be made concerning current power of attorney. Due to these two things, when we are able to conduct a sign up, expect longer visits while at the office.

***Direct Deposit* -** As early as December, the local FSA office will no longer issue checks. All checks will be issued from the Dept. of Treasury. As a result, producers without direct deposit could potentially have, at a minimum, an additional 5-7 days before checks are received. It is advised that if you do not currently receive direct deposit, that you sign up to receive payments via direct deposit. This will also affect producers who take out Marketing Assistance Loans (MAL). If the loan is not disbursed via direct deposit, it will take more days for the loan proceeds to be received. It is advised that if you need the proceeds of a MAL by a certain date, you apply earlier than you may have in the past. If you have direct deposit, it is important to notify this office if you change banks or accounts. Payments will not be received if we do not have the current bank account information.

Direct and Counter-Cyclical Program (DCP) – Sign up for DCP ended on September 30, 2008. The Food, Conservation, and Energy Act of 2008 was enacted on June 18, 2008 and provided that a producer on a farm will not receive DCP benefits if the sum of the base acres of covered commodities was 10.0 acres or less. H.R. 6849 was enacted on October 13, 2008 which suspended the 10.0 acre provision ***for the 2008 crop year***. Producers who have a farm with 10.0 base acres or less can now enroll, and receive payment, in DCP if all signatures are received by November 26, 2008. Late file fees for acreage reports will be waived on these farms with a 10 acre base (or less).

Implementation of Direct Attribution for Payment Limitation

With the passage of the Farm Bill, new procedure has been implemented for tracking and setting payment limitations for all programs. In the past, the County Committee made "person" determinations for each operation and payment limitations were assessed by "person" Also, husbands and wives were automatically combined as "persons" unless they requested to be separate. Each spouse then had to be determined to be actively engaged in a farming operation and had to meet the "person" requirements on their own. In addition, a 3 permitted entity rule applied, which meant producers could potentially receive payments through up to 3 permitted entities.

Beginning with the 2009 program year, the term "person" is no longer used. Instead, each payment limit will be tracked to the "warm body" through direct attribution. Husband and wives will no longer be combined. The 3 permitted entity rule has been repealed, meaning there are no restrictions on the number of entities a producer can be involved with. However, if an individual operates as an individual and is a member of an entity, the entity's payment could be reduced if the individual reaches the payment limitation as an individual.

The following is a basic example of the change between the 2008 year and the rules effective for 2009.

Example #1 – DCP Direct Payment Limit equals $40,000. Farmer A operates as an individual. Farmer A and Farmer B each have a 50% interest in Corporation A. Assuming both Farmer A and Corporation A meet the $40,000 payment limit, the following shows the difference between payments received from 2008 and 2009.

2008
- Farmer A receives $40,000 as an individual
- Corporation A receives $40,000 as an entity
- Total payment received equals $80,000

2009
- Farmer A receives $40,000 as an individual
- Corporation A would receive $20,000 because one of its members (Farmer A) has already received $40,000 and thus has met the payment limit. Therefore, Farmer A's 50% share in the entity is not paid.
- Total payments received equal $60,000

This is a basic example of how direct attribution will work. There are multiple scenarios that will affect a number of producers. If your operation will be affected by the payment limitations, it is important to realize this now so that you may plan for the 2009 year. If you have questions, you are encouraged to contact the office.

Adjusted Gross Income (AGI) Changes Beginning in 2009

Up to this point, Adjusted Gross Income (AGI) provisions did not allow payment if the average of the adjusted gross income for the previous 3 tax years was $2.5 million or more.

The following changes concerning AGI will be implemented for the 2009 year and will be addressed when looking at the average of the 3 taxable years immediately proceeding the most recent taxable year. (For 2009, the years looked at are – 2005, 2006, 2007)

$ 500,000 – If a person or legal entity has average adjusted gross nonfarm income that exceeds $500,000, the person or legal entity is ineligible for all commodity program payments and benefits.

$ 750,000 – If a person or legal entity has average adjusted gross farm income that exceeds $750,000, the person or legal entity is ineligible for direct payments only.

$ 1,000,000 – If a person or legal entity has average adjusted gross nonfarm income that exceeds $1,000,000, the person or legal entity is ineligible for all conservation program benefits unless 66.66% (or more) of the total AGI is average adjusted gross farm income.

Supplemental Revenue Assistance Payments (SURE)

The 2008 Farm Bill created the Supplemental Revenue Assistance Payments (SURE) program. This program is very different from previous disaster programs because it is not an ad hoc program.

To be eligible for this program, producers must purchase at least catastrophic risk protection (CAT) level of crop insurance for all insurable crops and Noninsured Crop Disaster Assistance Program (NAP) coverage for non-insurable crops. **Every crop in every county that a producer has a risk in must be covered by either CAT or NAP coverage in order to be eligible for the new disaster programs.** A new exception is crops considered to not be of economic significance for the farm are not required to be insured. Another exception is grazed land is not required to be insured to be eligible for the SURE program. In order for the program to take effect, producers must be in a county that has had a secretarial disaster declaration (or a contiguous county), or they must have had at least a 50% loss in total farm revenue regardless of county designation.

Producers should be aware that the SURE disaster program is revenue based protection and will not pay on individual crop losses. The SURE program will also not be able to offer any immediate payments. Payments will be based on average market prices after harvest and final computations will not happen until the following year. The program compares total revenue (based on national average market prices) to the expected revenue for a producer's farming operation (this equals the sum of all crop acreage in all counties that is planted or intended to be planted for harvest, including haying.) The SURE program will pay 60% of the difference between expected revenue and actual revenue for eligible producers.

If you wish to be eligible for the SURE program, it is important to make sure every crop, including hay, in which you have an interest, is insured through the applicable coverage. All crops have final dates for which a crop insurance election can be made, so it is important to ask now what those dates are so they are not missed and subsequently you become ineligible for the SURE program.

Contact the FSA office for additional information on the SURE program and if there are questions on whether a crop is considered a crop of economic significance for your operation.

Average Crop Revenue Election Program (ACRE)

ACRE is a component of the Farm Bill safety net that protects against crop revenue shortfall resulting from price and/or production declines at the state and farm level. When the program rules become available, all owners and producers on a farm will have to make the decision to participate in ACRE or remain in the DCP program. For a farm to be eligible for enrollment, it must have base acres. The decision to participate can be made by June 1 of any year 2009-2012, but once the decision has been made to participate in ACRE it is irrevocable. By enrolling a farm in ACRE, the farm is no longer eligible for counter-cyclical payments, a 20 percent reduction in direct payments will apply and a 30 percent reduction in marketing assistance loan rates will apply. Payments are based on crops planted on the farm, not base acres (historical crop acres on the farm), but the planted acres in which payment is calculated cannot exceed the total base acres on the farm. If the election is made to enroll a farm into ACRE, five years of production data will have to be provided to establish an APH and annual submission of production records will be required.

Farms enrolled in ACRE may receive two types of payments: direct payments and ACRE payments. For an ACRE payment to be made, two triggers must be met. 1. The State Acre Guarantee must exceed the Actual State Revenue. 2. The Farm Acre Benchmark Revenue must exceed Actual Farm Revenue. If these two triggers are met, the ACRE payment is calculated using the following calculation:

83.3% of the farm's planted / considered planted acres for 2009-11; 85% in 2012 times (farm's expected yield divided by State benchmark yield) times lesser of (State ACRE Guarantee minus Actual State Revenue) or (State ACRE Guarantee times 25%)

Discussions are currently being held to determine which years will be used when determining the guarantees and benchmarks for the two triggers. When this information is finalized more details on how payments will be calculated will be publicized.

USDA United States Department of Agriculture
Caldwell County FSA Office
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Dates to Remember

Nov. 3	County Committee Election Ballots Mailed to Voters
Nov. 11	Veterans Day Holiday – USDA Service Center Closed
Nov. 27	Thanksgiving Day Holiday – USDA Service Center Closed
Dec. 1	Last Day to Return Voted Ballots to the FSA Office
Dec. 1	Application Deadline for 2009 NAP Coverage for Fall Crops

Payment Limits by Program for 2009
(Subject to Direct Attribution – see article on Page 2)

DCP Direct	$40,000	SURE, LIP, LFP, ELAP	$100,000
Counter-Cyclical and ACRE	$65,000	CRP Annual Payments	$50,000
NAP	$100,000	LDP and Market Gain	Unlimited

FSA Farm Loans Available for Beginning Farmers and Ranchers

Beginning farmers or ranchers may obtain a farm ownership loan by using funds set aside especially for them by the FSA. These loans can be up to the $300,000 loan limit, and the term of the loan can be up to 40 years.

The interest rate is set the first of each month and is currently 5.125 percent. The rate for limited resource producers is 5.000 percent.

Farm ownership loan funds may also be used in joint financing where FSA lends up to 50 percent of the amount financed and another lender provides 50 percent or more. FSA may charge an interest rate of not less than 4 percent with terms up to 40 years.