



FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

December 2008

Direct and Counter-cyclical Payment (DCP) Program

Background

The Direct and Counter-cyclical Payment Program (DCP) provides payments to eligible producers on farms enrolled for the 2008 through 2012 crop years. There are two types of DCP payments -- direct payments and counter-cyclical payments. Both are calculated using the base acres and payment yields established for the farm. DCP is authorized by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) and is administered by the U.S. Department of Agriculture's Farm Service Agency (FSA). Regulations covering the 2008 Farm Bill provisions have been published and are located at 7 CFR 1412.

Eligible Producers

To be eligible for DCP payments, owners, operators, landlords, tenants, or sharecroppers must:

- share in the risk of producing a crop on base acres on a farm enrolled in DCP, and be entitled to share in the crop available for marketing from the base acres or would have shared had a crop been produced;
- annually report the use of the farm's cropland acreage;
- comply with conservation and wetland protection requirements on all of their land;

- comply with planting flexibility requirements;
- use the base acres for agricultural or related activities; and
- protect all base acres from erosion, including providing sufficient cover as determined necessary by the county FSA committee, and controlling weeds.

Eligible Commodities

Base acres and payment yields are established for the following commodities:

- wheat;
- corn;
- grain sorghum, including dual purpose varieties that can be harvested as grain;
- barley;
- oats;
- upland cotton;
- long grain rice and medium grain rice (which includes short grain rice), excluding wild rice;
- soybeans;
- canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame seed and sunflower seed, including oil and non-oil varieties, or any oilseed designated by the USDA Secretary;
- peanuts; and
- dry peas, lentils, small chickpeas (Garbanzo bean, Desi), and large chickpeas (Garbanzo bean, Kabuli).

Under provisions of the 2008 Farm Bill, farms with 10 base acres or less were made ineligible for the DCP. However,

P.L. 110-398 made that provision inapplicable to the 2008 crop only. For 2009, the rule still applies. Reconstitutions of farms with 10 base acres or less are now allowed.

Direct Payments

The 2008 Farm Bill continues the direct payments that began under the Farm Security and Rural Investment Act of 2002. Direct payment rates for the eligible DCP commodities are as follows:

- Wheat: \$0.52 per bushel
- Corn: \$0.28 per bushel
- Grain sorghum: \$0.35 per bushel
- Barley: \$0.24 per bushel
- Oats: \$0.024 per bushel
- Upland cotton: \$0.0667 per pound
- Rice, long grain: \$2.35 per hundredweight
- Rice, medium/short grain: \$2.35 per hundredweight
- Soybeans: \$0.44 per bushel
- Other oilseeds: \$0.80 per hundredweight
- Peanuts: \$36 per ton

For each commodity, the total direct payment for the 2009 crop year for producers on a farm is determined by multiplying 83.3 percent of the farm's base acreage times the farm's direct payment yield

times the direct payment rate. For 2012, the payment percentage changes from 83.3 to

FACT SHEET

Direct and Counter-cyclical Payment (DCP) Program

December 2008

85 percent of the farm's base acreage.

The following is an example for 2009 corn:

Base acres planted to corn:
 100 acres x 83.3%
 83.3 acres payment acres
 x 110 bushels direct payment yield
 x \$0.28 per bushel direct payment rate
 \$2566 direct payment

Direct payments are not based on producers' current production choices, but instead are tied to established base acres and yields.

Counter-cyclical Payments

In addition to direct payments, the 2008 Farm Bill authorizes counter-cyclical payments, which provide support counter to the cycle of market prices as part of a "safety net" in the event of low crop prices.

Counter-cyclical payments for a commodity are only issued if the effective price for a commodity is below the target price for the commodity. Target prices, as provided by the 2008 Farm Bill, for each commodity are as follows:

The counter-cyclical payment rate is the amount by which the target price of each commodity exceeds its effective price. The effective price for each commodity equals the direct payment rate plus the higher of:

- the national average market price received by producers during the marketing year as determined by the USDA Secretary (see Example A); or
- the national loan rate for the commodity (see Example B).

Example A:
 If the 2009 national average

market price for soybeans is \$5.10 per bushel: \$0.44 direct payment rate
 + \$5.10 average market price*
 \$5.54 effective price
 (*Average market price is used since it is higher than the 2009 national loan rate)
 \$5.80 target price
 -\$5.54 effective price
 \$0.26 counter-cyclical payment rate

Example B:

If the 2010 national average market price for soybeans is \$4.90 per bushel:
 \$0.44 direct payment rate
 + \$5.00 national loan rate*
 \$5.44 effective price
 (*National loan rate is used since it is higher than the average market price)
 \$5.80 target price
 - \$5.44 effective price
 \$0.36 counter-cyclical payment rate
 For each commodity, the total counter-cyclical pay-

Crop	2008	2009	2010 through 2012
Barley	\$2.24/bu	\$2.24/bu	\$2.63/bu
Chickpeas, large (Garbanzo bean, Kabuli)	Not Available	\$12.81/cwt	\$12.81/cwt
Chickpeas, small (Garbanzo bean, Desi)	Not available	\$10.36/cwt	\$10.36/cwt
Corn	\$2.63/bu	\$2.63/bu	\$2.63/bu
Dry peas	Not available	\$8.32/cwt	\$8.32/cwt
Grain Sorghum	\$2.57/bu	\$2.57/bu	\$2.63/bu
Lentils	Not available	\$12.81/cwt	\$12.81/cwt
Oats	\$1.44/bu	\$1.44/bu	\$1.79/bu
Other oilseeds	\$10.10/cwt	\$10.10/cwt	\$12.68/cwt
Peanuts	\$495/ton	\$495/ton	\$495/ton
Rice, long grain	\$10.50/cwt	\$10.50/cwt	\$10.50/cwt
Rice, medium/short grain	\$10.50/cwt	\$10.50/cwt	\$10.50/cwt
Soybeans	\$5.80/bu	\$5.80/bu	\$6.00/bu
Upland Cotton	\$0.7125/lb	\$0.7125/lb	\$0.7125/lb
Wheat	\$3.92/bu	\$3.92/bu	\$4.17/bu

FACT SHEET

Direct and Counter-cyclical Payment (DCP) Program

December 2008

ment for producers on a farm is determined by multiplying 85 percent of the farm’s base acres times the farm’s counter-cyclical payment yield times the counter-cyclical payment rate.

An example for 2009 soybeans (using the counter-cyclical payment rate of \$0.26) is:
 100 acres base acres planted to soybeans
 85 acres, payment acres
 x 30 bushels per acre counter-cyclical payment yield
 x \$0.26 per bushel counter-cyclical payment rate
 \$663.00 counter-cyclical payment

For 2009 crops, counter cyclical payments are not available for “other oilseeds” (sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, and sesame seed) because the sum of their national loan rate and direct payment

rate is equal to or greater than their target price. For 2010 through 2012, counter-cyclical payments are available for “other oilseeds” due to an increase in their target price.

The DCP payment schedules for 2009 crop years are in the following tables.

1\ Producers must request advance counter-cyclical payments no later than 60 days prior to the end of the marketing year for that covered commodity.

2\ For upland cotton, the final marketing year average price estimate will be published by the National Agricultural Statistics Service (NASS) in a notice between October 9, 2009 and October 12, 2009—coincident with the October Crop Production report. Final counter-cyclical payments for upland cotton will be available

soon after this date.

1\ Producers must request advance counter-cyclical payments no later than 60 days prior to the end of the marketing year for that covered commodity.

2\ Final counter-cyclical payments for upland cotton are available after the NASS October Crop Production Report containing the marketing year average price for upland cotton is published. The Crop Production Report will be published between October 9, 2010 and October 12, 2010.

Timing of Payments

For crop years 2009 through 2011, producers may elect to receive their direct payments in two installments:

The first advance payment for

2008 Scheduled Timetable for DCP Payments				
Commodity				
Month/Year	Barley, Oats, and Wheat	Peanuts, Rice, and Upland Cotton	Corn, Sorghum, and Soybeans	“Other” Oilseeds
Marketing Year	June 1 - May 31	August 1 - July 31	September 1 - August 31	September 1 - August 31
Enrollment to September 2008	Advance Direct	Advance Direct	Advance Direct	Advance Direct
Beginning October 2008	Final Direct	Final Direct	Final Direct	Final Direct
Beginning December 2008	Partial CC 1\			
Beginning February 2009		Partial CC 1\		
Beginning March 2009			Partial CC 1\	
Beginning October 2009	Final CC	Final CC for Peanuts & Upland Cotton 2\		
Beginning February 2010		Final CC for Rice		

FACT SHEET

Direct and Counter-cyclical Payment (DCP) Program

December 2008

up to 22 percent of the total payment is provided by statute to be made available.

For crop years beginning 2009 through 2011, beginning in December of the calendar year prior to the harvest year.

The balance of the total direct payment is available in October of the crop year. Producers who do not elect to take the first direct payment will receive the entire direct payment that October.

For 2012, there is no advanced direct payment.

For crop years 2009 through 2010, producers may elect to receive two counter-cyclical payments per year:

- A partial payment will be available after completion of 180 days of the marketing year for the crop. These payments cannot exceed 40 percent of the total projected payment.
- Final payments are made beginning October 1, or as soon as practicable thereafter, after the end of the marketing year for the crop. Producers who do not elect to take the partial payment will receive the entire counter-cyclical payment at this time.

For fiscal years 2011 and 2012, there is no partial counter-cyclical payments. Final payments are made beginning October 1, or as soon as practicable thereafter, after the end

of the marketing year for the crop.

Producers must refund to FSA counter-cyclical payments that exceed the final and total counter-cyclical payment for each respective crop. This situation may occur when actual market prices exceed the projected market prices used in determining the partial counter-cyclical payment rates.

Sign-up Period

The DCP sign-up period for the 2009 crop began Dec. 22, 2008 and ends June 1, 2009. Annual sign-ups for the 2010-2012 crops will begin Oct. 1 of the applicable contract

2009 Scheduled Timetable for DCP Payments						
Commodity						
Month/Year	Barley, Oats and Wheat	Dry Peas and Lentils	Peanuts, Rice and Upland Cotton	Corn, Sorghum and Soybeans	“Other” Oilseeds	Large and Small Chickpeas
Marketing Year	June 1 - May 31	July 1 - June 30	August 1 - July 31	September 1 - August 31	September 1 - August 31	September 1 - August 31
Dec. 22, 2008 to Sept. 31, 2009	Advance Direct		Advance Direct	Advance Direct	Advance Direct	
Beginning October 2009	Final Direct		Final Direct	Final Direct	Final Direct	
Beginning December 2009	Partial CC 1\					
Beginning January 2010		Partial CC 1\				
Beginning February 2010			Partial CC 1\			
Beginning March 2010				Partial CC 1\		Partial CC 1\
Beginning October 2010	Final CC	Final CC	Final CC for Peanuts & Upland Cotton 2\	Final CC		Final CC
Beginning February 2011			Final CC for Rice			

year and end June 1 of that contract year, set in accordance with DCP regulations. The CCC-509 sign-up form, "Direct and Counter-cyclical Program Contract," includes base acres, payment acres, payment yields, producer payment shares, advance direct and counter-cyclical payment selections, and signatures of the producer and county office representative.

Unlike years past, participants may NOT enroll a farm in DCP after June 1 of the applicable contract period. There are no late filed provisions for contract years 2009 - 2012.

All owners and operators who will share in the DCP payments on the farm must sign the CCC-509 by June 1 of the contract period.

Farm producers must apply for DCP on an annual basis. The following documents are required and applicable determinations must be made before the county committee can approve a producer's share on the CCC-509 for payment:

- a farm operating plan (CCC-902 and related forms);
- an average adjusted gross income certification (CCC-926);
- a certification of compliance with highly erodible land and wetland conservation provisions (AD-1026).

A certification of the acreage of all cropland on the farm (FSA-578) is needed before final payments can be issued.

Planting Flexibility Provisions

Producers who participate in DCP may plant cropland in excess of the total base acreage on the farm to any commodity. However, producers are subject to certain restrictions on the planting of wild rice, fruits, and vegetables (other than mung beans and pulse crops). Information on wild rice, fruits and vegetable restrictions is contained in the FSA fact sheet "Direct and Counter-cyclical Payment Program: Wild Rice, Fruit, and Vegetable Provisions." A 2009 fact sheet will be available on FSA's Web site at: <http://www.fsa.usda.gov>; click on "find FSA fact sheets."

Planting Transferability Pilot Project

The 2008 Farm Bill provides for the development of a pilot project for certain states to permit the planting of cucumbers, green peas, lima beans, pumpkins, snap beans, sweet corn, and tomatoes grown for processing on base acres during each of the 2009 through 2012 crop years. DCP base acres on a farm for a crop year will be reduced by an acre for each acre planted under the pilot program. This program is dependent on regulations not yet issued which will cover eligibility and the method by which producers can be approved for participation.

The number of base acres eligible during each crop year for the pilot year for the pilot project is:

Illinois: 9,000
 Indiana: 9,000
 Iowa: 1,000
 Michigan: 9,000
 Minnesota: 34,000
 Ohio: 4,000
 Wisconsin: 9,000

For More Information

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