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Nebraska FSA Newsletter

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A Message from the State Executive Director

Harvest is starting to hit its stride in Nebraska. The combines are rolling on what is expected to be a huge crop. The current low commodity prices, however, will unfortunately put a damper on the celebration of excellent yields and will place a new level of importance on the federal farm bill safety net and farm loan programs.

In October, Nebraska FSA is expecting to distribute over $700 million in funding to our farmers through the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. These programs are the cornerstone of the safety

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To find contact information for your local office go to www.fsa.usda.gov/ne

net provided by the federal government to help protect our producers from declines in commodity prices and/or yields.

Payments for those enrolled in the Conservation Reserve Program (CRP) also go out in October. In Nebraska there are over 780,000 acres enrolled in this program through some 22,600 contracts. Over $60 million will be delivered in return for the environmental and wildlife benefits achieved through CRP in Nebraska.

Delivery of these funds is the culmination of other deadlines Nebraska FSA has been encouraging producers to meet throughout the year. It's why we keep sending you emails and postcards about making appointments to come into the office. We understand the critical nature of these programs, especially in our current commodity price situation, and we take serious our role in helping you sustain your farming operation.

We continue to keep a close eye on the corn price, and while it hasn't dipped low enough to trigger Loan Deficiency Payments, the harvest rush could move the commodity into that range. You should be sure to understand all your options under FSA's marketing assistance programs before you relinquish beneficial interest in the crop. See articles below for more information. Our county offices are prepared to help you with this process, so please either stop in or give them a call.

Until next time, please stay safe in your rush to get your crops in the bin. Have a good harvest.

--Dan Steinkruger

Producers Should Make Themselves Aware of Marketing Assistance Loans, Loan Deficiency Payment Process

The 2014 Farm Bill authorized 2014-2018 crop year Marketing Assistance Loans (MALs) and Loan Deficiency Payments (LDPs). In Nebraska, wheat prices are in a range where LDPs are applicable. While corn has not reached LDP levels, the price may drop with harvest. Therefore, producers should become familiar with the process to access this assistance.

MALs and LDPs provide financing and marketing assistance for wheat, as well as other commodities such as feed grains, soybeans and other oilseeds, pulse crops, wool and honey.

MALs provide producers interim financing after harvest to help them meet cash flow needs without having to sell their commodities when market prices are typically at harvest-time lows. A producer who is eligible to obtain a MAL, but agrees to forgo the loan, may obtain an LDP if such a payment is available. To be eligible for a MAL or an LDP, producers must have a beneficial interest in the commodity, in addition to other requirements. A producer retains beneficial interest when control of and title to the commodity is maintained. For an LDP, the producer must retain beneficial interest in the commodity from the time of planting through the date the producer filed Form CCC-633EZ (page 1) in the FSA county office.

Silaged feed grains, including corn, grain sorghum and soybeans, also can be eligible for LDPs, although there are different program provisions for crops taken using this method. The loan rate used for calculating an LDP on a silage crop is 30 percent of the normal loan rate for that crop. In addition, the bushel quantity for the calculation is based on the silage tonnage, converted to bushels of grain.

MAL and LDP provisions also vary for alternatively-stored crops, such as crops that are bagged for field storage.

Producers should contact their local FSA county office to understand the various options associated with MALs and LDPs. In addition, producers can view this LDP Fact Sheet for more information.

USDA to Offer Certificates for Farm Commodities Pledged to Marketing Loans

Producers who have crops pledged as collateral for a marketing assistance loan can now purchase a commodity certificate that may be exchanged for the outstanding loan collateral. Commodity certificates are available beginning with the 2015 crop in situations where the applicable marketing assistance loan rate exceeds the exchange rate.

USDA's Farm Service Agency (FSA) routinely provides agricultural producers with marketing assistance loans that provide interim cash flow without having to sell the commodities when market prices are at harvest-time lows. The loans allow the producer to store and delay the sale of the commodity until more favorable market conditions emerge, while also providing for a more orderly marketing of commodities throughout the marketing year.

These loans are considered "nonrecourse" because the loan can be redeemed by delivering the commodity pledged as collateral to the government as full payment for the loan upon maturity. Commodity certificates are available to loan holders having outstanding nonrecourse loans for wheat, upland cotton, rice, feed grains, pulse crops (dry peas, lentils, large and small chickpeas), peanuts, wool, soybeans and designated minor oilseeds. These certificates can be purchased at the posted county price (or adjusted world price or national posted price) for the quantity of commodity under loan, and must be immediately exchanged for the collateral, satisfying the loan. Any gain realized by using commodity certificates to repay the nonrecourse loan is not subject to the $125,000 payment limitation. In addition, producers using commodity certificates do not have to meet the adjusted gross income criteria.

Producers may contact their FSA office that maintains their loan or their loan service agent for additional information. Producers who do business with Cooperative Marketing Associations (CMA) or Designated Marketing Associations (DMA) may contact their respective associations for additional information. To learn more about commodity certificates, visit www.fsa.usda.gov/pricesupport.

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eAuthentication Accounts Provide Online Options for Farmers, Including Online LDP Application

USDA eAuthentication is the system used by USDA agencies to enable customers to obtain accounts that will allow them to access USDA Web applications and services via the Internet. This includes things such as submitting forms electronically, completing surveys online and checking the status of USDA accounts.

This specifically includes the ability to access Loan Deficiency Payment Services electronically (eLDPs) and access FSA data such as farm records and maps, ARC/PLC bases and yield information and CRP acreage information through the FSAfarm+ program.

To learn more about eAuthentication accounts, producers are encouraged to visit: www.eauth.usda.gov. Please note that USDA will only accept eAuthentication accounts from individuals; USDA eAuthentication does not have the mechanism to issue accounts to businesses, corporations or other entities.

Update Your Banking Records Now

Farmers who participate in farm bill programs and have signed up for the direct deposit option should consider whether they have changed banks or opened a new bank account in the past 12 months. This is important because in October FSA will be issuing payments under the Agriculture Risk Coverage and Price Loss Coverage programs, as well as the Conservation Reserve Program.

Those who have switched accounts should contact their local FSA office immediately to update their banking record information. If payments get sent to a closed account, the payments are returned to the USDA finance center and must be redirected to the correct account. This can take some time and ultimately will delay payments.

Program participants who do not already have direct deposit may want to consider the option. Payments made through direct deposit generally arrive ahead of payments made by check. Ask your local FSA office for details.

USDA Encourages Producers to Consider Risk Protection Coverage before Crop Sales Deadlines

USDA's Farm Service Agency encourages producers to examine available USDA crop risk protection options, including federal crop insurance and Noninsured Crop Disaster Assistance Program coverage, before the applicable crop sales deadline.

Producers are reminded that crops not covered by insurance may be eligible for the Noninsured Crop Disaster Assistance Program (NAP). The 2014 Farm Bill expanded NAP to include higher levels of protection. Beginning, underserved and limited resource farmers are now eligible for free catastrophic level coverage, as well as discounted premiums for additional levels of protection.

Federal crop insurance covers crop losses from natural adversities such as drought, hail and excessive moisture. NAP covers losses from natural disasters on crops for which no permanent federal crop insurance program is available, including perennial grass forage and grazing crops, fruits, vegetables, mushrooms, floriculture, ornamental nursery, aquaculture, turf grass, ginseng, honey, syrup, bioenergy and industrial crops.

USDA has partnered with Michigan State University and the University of Illinois to create an online tool at www.fsa.usda.gov/nap that allows producers to determine whether their crops are eligible for federal crop insurance or NAP and to explore the best level of protection for their operation. NAP basic coverage is available at 55 percent of the average market price for crop losses that exceed 50 percent of expected production, with higher levels of coverage, up to 65 percent of their expected production at 100 percent of the average market price, including coverage for organics and crops marketed directly to consumers.

Deadlines for coverage vary by state and crop. To learn more about NAP visit www.fsa.usda.gov/nap or contact your local USDA Service Center. To find your local USDA Service Center go to http://offices.usda.gov.

Federal crop insurance coverage is sold and delivered solely through private insurance agents. Agent lists are available at all USDA Service Centers or at USDA's online Agent Locator: http://prodwebnlb.rma.usda.gov/apps/AgentLocator/#. Producers can use the USDA Cost Estimator, https://ewebapp.rma.usda.gov/apps/costestimator/Default.aspx, to predict insurance premium costs.

USDA Offers Targeted Farm Loan Funding for Underserved Groups, Beginning Farmers

USDA's Farm Service Agency (FSA) reminds producers that FSA offers targeted farm ownership and farm operating loans to assist underserved applicants as well as beginning farmers and ranchers.

USDA defines underserved applicants as a group whose members have been subjected to racial, ethnic or gender prejudice because of their identity as members of the group without regard to their individual qualities. For farm loan program purposes, targeted underserved groups are women, African Americans, American Indians and Alaskan Natives, Hispanics and Asians and Pacific Islanders.

Underserved or beginning farmers and ranchers who cannot obtain commercial credit from a bank can apply for either FSA direct loans or guaranteed loans. Direct loans are made to applicants by FSA. Guaranteed loans are made by lending institutions who arrange for FSA to guarantee the loan. FSA can guarantee up to 95 percent of the loss of principal and interest on a loan. The FSA guarantee allows lenders to make agricultural credit available to producers who do not meet the lender's normal underwriting criteria.

The direct and guaranteed loan program provides for two types of loans: farm ownership loans and farm operating loans. In addition to customary farm operating and ownership loans, FSA now offers microloans through the direct loan program. The focus of microloans is on the financing needs of small, beginning farmer, niche and non-traditional farm operations. Microloans are available for both ownership and operating finance needs. To learn more about microloans, visit www.fsa.usda.gov/microloans.

To qualify as a beginning producer, the individual or entity must meet the eligibility requirements outlined for direct or guaranteed loans. Additionally, individuals and all entity members must have operated a farm for less than 10 years. Applicants must materially or substantially participate in the operation.

For more information on FSA's farm loan programs and targeted underserved and beginning farmer guidelines, visit www.fsa.usda.gov/farmloans.

Loan Servicing During Financial Stress

There are options for Farm Service Agency loan customers during financial stress. If you are a borrower who is unable to make payments on a loan, contact your local FSA Farm Loan Manager to learn about the options available to you.

CRP Payment Limitation

Payments and benefits received under the Conservation Reserve Program (CRP) are subject to the following:

- payment limitation by direct attribution
- foreign person rule
- average adjusted gross income (AGI) limitation

The 2014 Farm Bill continued the $50,000 maximum CRP payment amount that can be received annually, directly or indirectly, by each person or legal entity. This payment limitation includes all annual rental payments and incentive payments (Sign-up Incentive Payments and Practice Incentive Payments). Annual rental payments are attributed (earned) in the fiscal year in which program performance occurs. Sign-up Incentive Payments (SIP) are attributed (earned) based on the fiscal year in which the contract is approved, not the fiscal year the contract is effective. Practice Incentive Payments (PIP) are attributed (earned) based on the fiscal year in which the cost-share documentation is completed and the producer or technical service provider certifies performance of practice completion to the county office.

Such limitation on payments is controlled by direct attribution.

- Program payments made directly or indirectly to a person are combined with the pro rata interest held in any legal entity that received payment, unless the payments to the legal entity have been reduced by the pro rata share of the person.
- Program payments made directly to a legal entity are attributed to those persons that have a direct and indirect interest in the legal entity, unless the payments to the legal entity have been reduced by the pro rata share of the person.
- Payment attribution to a legal entity is tracked through four levels of ownership. If any part of the ownership interest at the fourth level is owned by another legal entity, a reduction in payment will be applied to the payment entity in the amount that represents the indirect interest of the fourth level entity in the payment entity.

Essentially, all payments will be "attributed" to a person's Social Security number. Given the current CRP annual rental rates in many areas, it is important producers are aware of how CRP offered acreages impact their $50,000 annual payment limitation. Producers should contact their local FSA office for additional information.

NOTE: The information in the above article only applies to contracts subject to 4-PL and 5-PL regulations. It does not apply to contracts subject to 1-PL regulations.

FSA Offers Improved Program to Limit Losses on Forages

Reduced forage quality is now considered a production loss for weather disaster assistance coverage under the new buy-up provisions of the Farm Service Agency (FSA) Noninsured Crop Disaster Assistance Program (NAP).

This safety net is important for cattle producers who grow non-insurable forages for feeding livestock. Previously, FSA only considered a decrease in overall forage tonnage produced when determining if the producer suffered a compensable loss after a qualifying weather event. Under FSA's new NAP buy-up provisions, a decrease in forage quality – such as protein content – is also considered.

The sales closing date for fall-seeded wheat, triticale, speltz and rye is Sept. 30, 2016. Please visit your local office for upcoming sales closing dates for other crops including alfalfa, grass, honey, apples, broccoli and Christmas trees. Beginning, limited resource and targeted underserved farmers or ranchers are eligible for a waiver of the NAP service fee and a 50 percent premium reduction in buy-up provisions.

For more information on NAP, visit www.fsa.usda.gov/nap.

USDA Climate Hub Building Block: Conservation of Sensitive Lands

USDA Climate Hubs are working with producers, ranchers, pasture and forest landowners to effectively partner in ways to help reduce climate change. To aid in this partnership, USDA established the 10 Building Blocks for Climate Smart Agriculture and Forestry.

One such Building Block is the "Conservation of Sensitive Lands." The term "sensitive lands" denotes soils and landscapes that are valuable due to properties (e.g., high organic matter, wet hydrology) and/or function (e.g., wildlife habitat, filtration, and hydrologic storage). Typical examples of these soils are organic rich histosols, floodplains, or wetlands along riparian areas. Properties and functions of these soils are easily disrupted from agricultural or urban land use.

Sensitive lands that are used for agricultural production can be protected by changes in land use (long-term cover). This reduction in land use intensity can provide multiple environmental benefits, including substantial GHG mitigation that occurs as carbon is sequestered or preserved in soils and vegetation. When land is removed from crop production, several activities—including tillage, nitrogen fertilization, and energy use—are substantially reduced or eliminated, generating additional GHG mitigation.

FSA and NRCS are committed to identifying these sensitive lands and encouraging landowners, farmers, and ranchers to voluntarily adopt conservation systems - using financial and technical assistance - to generate GHG benefits. To read more about Conservation of Sensitive Lands, click the following link: http://www.usda.gov/oce/climate_change/building_blocks/4_SensitiveLands.pdf.

For more information about the USDA Climate Hubs, click here: http://www.climatehubs.oce.usda.gov/.

September FSA Interest Rates

Farm Operating: 2.125%
Microloan Operating: 2.125%
Farm Ownership: 3.125%
Farm Ownership - Joint Financing: 2.50%
Farm Ownership - Down Payment: 1.50%
Emergency - Actual Loss: 3.125%
Farm Storage Facility Loan 3 year term: 0.875%
Farm Storage Facility Loan 5 year term: 1.125%
Farm Storage Facility Loan 7 year term: 1.375%
Farm Storage Facility Loan 10 year term: 1.50%
Farm Storage Facility Loan 12 year term: 1.625%
Commodity Loan: 1.500%

Dates to Remember

Sept. 30, 2016 – Deadline to file ARC/PLC succession-in-interest contracts
Sept. 30, 2016 – Deadline to report aquaculture, Christmas trees and nursery crops
Sept. 30, 2016 – Sales closing date for fall-seeded annual crops (2017 NAP)
Nov. 1, 2016 – Deadline to submit 2016 ELAP application for payment and supporting documentation
Nov. 7, 2016 – Ballots mailed for County Committee Election
Nov. 15, 2016 – Deadline to report 2017 perennial forage or fall-seeded crops
Dec. 1, 2016 – NAP (2017) sales closing date for honey, apples, cherries, plums, strawberries, asparagus and grapes
Dec. 5, 2016 – Deadline to return ballots for County Committee Election to USDA Service Center
Dec. 16, 2016 – Deadline to register and elect buy-up coverage for 2017 Dairy Margin Protection Program
Jan. 2, 2017 – 2017 initial reports for honeybee colonies and locations

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