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Farm Service Agency **Electronic News Service**

NEWSLETTER

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FSA News - Lone Star State Edition

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Farm Reconstitutions

When changes in farm ownership or operation take place, a farm reconstitution is necessary. The reconstitution, or "recon," is the process of combining or dividing a farm or land of an operation.

To be effective for the current Fiscal Year (FY), farm combinations and farm divisions must be requested by August 1 of the FY for farms subject to the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. A reconstitution is considered to be requested when all:

- Required signatures are on FSA-155
- Other applicable documentation, such as proof of ownership, are submitted

Total Conservation Reserve Program (CRP) or non-ARC/PLC farms may be reconstituted anytime.

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To find contact information for
your local office go to:
<http://www.fsa.usda.gov/tx>

The following are different Methods used when doing a farm recon:

- **Estate** - division of bases, allotments, quotas for parent farm among heirs settling estate
- **Designation of Landowner** - used when (1) part of farm is sold or ownership transferred; (2) entire farm sold to two or more persons; (3) farm ownership transferred to two or more persons; (4) part of tract is sold or ownership is transferred; (5) tract sold to two or more persons; or (6) tract ownership transferred to two or more persons; land sold must have been owned for at least three years, or waiver granted, and buyer and seller must sign a Memorandum of Understanding
- **DCP Cropland** - division of bases in same proportion that DCP cropland for each resulting tract relates to DCP cropland on parent tract
- **Default** - division of bases for parent farm with each tract maintaining bases attributed to tract level when reconstitution is initiated in system

2017 Safety Net Coverage Enrollment Open Through Aug. 1

Producers on farms with base acres under the safety net programs established by the 2014 Farm Bill, known as the Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) programs, can visit their local FSA office to sign contracts and enroll for the 2017 crop year. The enrollment period will continue until Aug. 1, 2017.

Since shares and ownership of a farm can change year-to-year, producers on the farm must enroll by signing a contract each program year.

If a farm is not enrolled during the 2017 enrollment period, the producers on that farm will not be eligible for financial assistance from the ARC or PLC programs for the 2017 crop should crop prices or farm revenues fall below the historical price or revenue benchmarks established by the program. Producers who made their elections in 2015 must still enroll during the 2017 enrollment period.

The ARC and PLC programs were authorized by the 2014 Farm Bill and offer a safety net to agricultural producers when there is a substantial drop in prices or revenues for covered commodities. Covered commodities include barley, canola, large and small chickpeas, corn, crambe, flaxseed, grain sorghum, lentils, mustard seed, oats, peanuts, dry peas, rapeseed, long grain rice, medium grain rice (which includes short grain and sweet rice), safflower seed, sesame, soybeans, sunflower seed and wheat. Upland cotton is no longer a covered commodity. For more details regarding these programs, go to www.fsa.usda.gov/arc-plc.

For more information, producers are encouraged to visit their local FSA office. To find a local FSA office, visit <http://offices.usda.gov>.

Policy Updates for Acreage Reporting

The USDA Farm Service Agency (FSA) recently made several policy updates for acreage reporting for cover crops, revising intended use, late-filed provisions, grazing allotments as well as updated the definitions of "idle" and "fallow."

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Reporting Cover Crops: FSA made changes to the types of cover crops. Cover crop types can be chosen from the following four categories:

- **Cereals, other Grasses** - Any cover crop classified as a grass plant or cereal grain, including, but not limited to: cereal rye, wheat, barley, oats, black oats, triticale, annual ryegrass, pearl millet, foxtail millet (also called German, Italian or Hungarian millet), sorghum sudan grass, sorghum, and other millets and grasses
- **Legumes** - Any cover crop classified as legume, including, but not limited to: clovers, vetches, peas, sun hemp, cowpeas, lentils, and other legumes
- **Brassicas, other Broadleaves** - Any cover crop classified as non-legume broadleaf, including, but not limited to: Brassicas such as radishes, turnips, canola, rapeseed, oilseed rape, and mustards; other broadleaf plants such as phacelia, flax, sunflower, buckwheat, and safflower
- **Mixtures** - Mixes of two or more cover crop species planted at the same time; for example, oats and radishes

If the cover crop is harvested for any use other than forage or grazing and is not terminated according to policy guidelines, then that crop will no longer be considered a cover crop and the acreage report must be revised to reflect the actual crop.

Permitted Revision of Intended use After Acreage Reporting Date: New operators or owners who pick up a farm after the acreage reporting deadline and the crop has already been reported on the farm have 30 days to change the intended use. Producer share interest changes alone will not allow for revisions to intended use after the acreage reporting date. The revision must be performed by either the acreage reporting date or within 30 calendar days from the date when the new operator or owner acquired the lease on land, control of the land or ownership and new producer crop share interest in the previously reported crop acreage. Under this policy, appropriate documentation must be provided to the County Committee's satisfaction to determine that a legitimate operator or ownership and producer crop share interest change occurred to permit the revision.

Acreage Reports: In order to maintain program eligibility and benefits, producers must timely file acreage reports. Failure to file an acreage report by the crop acreage reporting deadline may result in ineligibility for future program benefits. FSA will not accept acreage reports provided more than a year after the acreage reporting deadline.

Reporting Grazing Allotments: FSA offices can now accept acreage reports for grazing allotments. Producers will use form "FSA-578" to report grazing allotments as animal unit months (AUMs) using the "Reporting Unit" field. The local FSA office will need the grazing period start and end date and the percent of public land.

Definitions of Terms: FSA defines "idle" as cropland or a balance of cropland within a Common Land Unit (CLU) (field/subfield) which is not planted or considered not planted and does not meet the definition of fallow or skip row. For example, the balance of a field that could not be planted due to moisture or a turn area that is not planted would be reported as idle. Fallow is considered unplanted cropland acres which are part of a crop/fallow rotation where cultivated land that is normally planted is purposely kept out of production during a regular growing season. Resting ground in this manner allows it to recover fertility and conserve moisture for crop production in the next growing season.

CRP Participants Must Maintain Approved Cover on Acreage Enrolled in CRP, Farm Programs

Conservation Reserve Program (CRP) participants are responsible for ensuring adequate, approved vegetative and practice cover is maintained to control erosion throughout the life of the contract after the practice has been established. **(Cont'd)**

Participants must also control undesirable vegetation, weeds (including noxious weeds), insects and rodents that may pose a threat to existing cover or adversely impact other landowners in the area.

All CRP maintenance activities, such as mowing, burning, disking, and spraying, must be conducted outside the primary nesting or brood rearing season for wildlife, which is March 1 through July 1 in Texas. However, spot treatment of the acreage may be allowed during the primary nesting or brood rearing season if, left untreated, the weeds, insects or undesirable species would adversely impact the approved cover. In this instance, spot treatment is limited to the affected areas in the field and requires County Committee approval prior to beginning the spot treatment. The County Committee will consult with NRCS to determine if such activities are needed to maintain the approved cover.

Annual mowing of CRP for generic weed control or cosmetic purposes is prohibited at all times.

Breaking New Ground

Agricultural producers are reminded to consult with FSA and NRCS before breaking out new ground for production purposes as doing so without prior authorization may put a producer's federal farm program benefits in jeopardy. This is especially true for land that must meet Highly Erodible Land (HEL) and Wetland Conservation (WC) provisions.

Producers with HEL determined soils are required to apply tillage, crop residue and rotational requirements as specified in their conservation plan.

Producers should notify FSA as a first point of contact prior to conducting land clearing or drainage type projects to ensure the proposed actions meet compliance criteria such as clearing any trees to create new cropland, then these areas will need to be reviewed to ensure such work will not risk your eligibility for benefits.

Landowners and operators complete the form AD-1026 - Highly Erodible Land Conservation (HEL) and Wetland Conservation (WC) Certification to identify the proposed action and allow FSA to determine whether a referral to Natural Resources Conservation Service (NRCS) for further review is necessary.

CRP Routine Grazing and Managed Harvesting

Conservation Reserve Program (CRP) participants can utilize routine grazing and managed harvesting as outlined in their conservation plan. Managed harvesting and routine grazing are authorized under certain conditions to improve the quality and performance of the CRP cover.

Routine grazing is authorized every other year. Contracts approved prior to July 28, 2010, and still considered managed grazing can only participate in grazing one out of every three years.

Managed harvesting for hay is authorized no more frequently than one in three years.

Under normal conditions, managed haying and routine grazing can be requested at the local FSA office by the landowner or producer on the CRP contract. The same acreage cannot be hayed and grazed.

CRP acres must be considered fully established before haying or grazing can be authorized. In addition, haying or grazing CRP acres is not authorized during the primary nesting season. For Texas, the primary nesting season is March 1 through July 1. Producer must request approval before haying or grazing the acreage.

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For routine grazing, the authorization expires September 30, 2017 and all livestock must be **removed by October 1, 2017**. CRP participants must report the number of acres grazed to FSA by no later than October 10, 2017.

Before grazing eligible acreage, CRP participants must request approval and obtain a modified conservation plan to include routine grazing requirements. CRP participants are not permitted to graze any acreage hayed or grazed under managed or emergency provisions.

For haying, the authorization expires September 30 and all hay bales must be **completely removed** from CRP contract acres no later than 10 calendar days after baling. CRP participants must report the acreage hayed no later than October 10, 2017. Haying is limited to one cutting.

Routine grazing and managed harvesting will result in an annual rental payment reduction of no less than 25 percent based on the number of acres actually grazed or harvested. Producers who qualify as a beginning farmer or rancher, who are grazing CRP acres, will not be assessed a payment reduction. This waiver only applies to routine grazing.

All hayed and grazed acres are subject to FSA spot-check at any time during or after the authorization period.

It is important to contact your local FSA office prior to any haying or grazing activities on CRP acres to ensure your contract remains in compliance.

MAL, LDP Policy Changes for 2014-2018 Crop Years

The Agricultural Act of 2014 authorized 2014-2018 crop year Marketing Assistance Loans (MALs) and Loan Deficiency Payments (LDPs), with a few minor policy changes.

Among the changes, farm-stored MAL collateral transferred to warehouse storage will retain the original loan rate, be allowed to transfer only the outstanding farm-stored quantity with no additional quantity allowed and will no longer require producers to have a paid for measurement service when moving or commingling loan collateral.

MALs and LDPs provide financing and marketing assistance for wheat, feed grains, soybeans, and other oilseeds, pulse crops, rice, peanuts, cotton, 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 loan, but agrees to forgo the loan, may obtain an LDP if such a payment is available. Marketing loan provisions and LDPs are not available for sugar and extra-long staple cotton.

FSA is now accepting requests for 2016 MALs and LDPs for all eligible commodities after harvest. Requests for loans and LDPs shall be made on or before the final availability date for the respective commodities. May 31 is the final loan availability date for Corn, Dry Peas, Grain Sorghum, Lentils, Mustard Seed, Rice, Safflower Seed, Chickpeas, Soybeans, Sunflower Seed, and Cotton.

Before MAL repayments with a market loan gain or LDP disbursements can be made, producers must meet the requirements of actively engaged in farming, cash rent tenant, and member contribution.

Commodity certificates are available to loan holders who have 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. MALs redeemed with commodity certificates are not subject to the actively engaged in farming, cash-rent tenant, Adjusted Gross Income provisions or the payment limitation. **(Cont'd...)**

To be considered eligible for an LDP, producers must have form CCC-633EZ, Page 1, on file at their local FSA Office before losing beneficial interest in the crop. Pages 2, 3, or 4 of the form must be submitted when payment is requested.

The 2014 Farm Bill also establishes payment limitations per individual or entity not to exceed \$125,000 annually on certain commodities for the following program benefits: Price Loss Coverage (PLC) payments, Agriculture Risk Coverage (ARC) payments, marketing loan gains (MLGs), and LDPs. These payment limitations do not apply to MAL loan disbursements or redemptions using commodity certificate exchange.

Adjusted Gross Income (AGI) provisions were also modified by the 2014 Farm Bill. A producer whose total applicable three-year average AGI exceeds \$900,000 is not eligible to receive an MLG or LDP. Producers must have a valid CCC-941 on file to earn a market gain of LDP. The AGI does not apply to MALs redeemed with commodity certificate exchange. For more information and additional eligibility requirements,

Streamlined Guaranteed Loans, Additional Lender Category for Small-Scale Operators

Options Help More Beginning, Small, or Urban Producers Gain Access to Credit

The U.S. Department of Agriculture (USDA) announced the availability of a streamlined version of USDA guaranteed loans, which are tailored for smaller scale farms and urban producers. The program, called EZ Guarantee Loans, uses a simplified application process to help beginning, small, underserved and family farmers and ranchers apply for loans of up to \$100,000 from USDA-approved lenders to purchase farmland or finance agricultural operations.

A new category of lenders will join traditional lenders, such as banks and credit unions, in offering USDA EZ Guarantee Loans. Microlenders, which include Community Development Financial Institutions and Rural Rehabilitation Corporations, will be able to offer their customers up to \$50,000 of EZ Guaranteed Loans, helping to reach urban areas and underserved producers. Banks, credit unions and other traditional USDA-approved lenders, can offer customers up to \$100,000 to help with agricultural operation costs.

EZ Guarantee Loans offer low interest rates and terms up to seven years for financing operating expenses and 40 years for financing the purchase of farm real estate. USDA-approved lenders can issue these loans with the Farm Service Agency (FSA) guaranteeing the loan up to 95 percent.

More information about the available types of FSA farm loans can be found at www.fsa.usda.gov/farmloans or by contacting your local FSA office.

Youth Loans

The Farm Service Agency makes loans to youth to establish and operate agricultural income-producing projects in connection with 4-H clubs, FFA and other agricultural groups. Projects must be planned and operated with the help of the organization advisor, produce sufficient income to repay the loan and provide the youth with practical business and educational experience. The maximum loan amount is \$5,000.

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Youth Loan Eligibility Requirements:

- Be a citizen of the United States (which includes Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands) or a legal resident alien
- Be 10 years to 20 years of age
- Comply with FSA's general eligibility requirements
- Be unable to get a loan from other sources
- Conduct a modest income-producing project in a supervised program of work as outlined above
- Demonstrate capability of planning, managing and operating the project under guidance and assistance from a project advisor

The project supervisor must recommend the youth loan applicant, along with providing adequate supervision.

Stop by the county office for help preparing and processing the application forms.

Beginning Farmer Loans

FSA assists beginning farmers to finance agricultural enterprises. Under these designated farm loan programs, FSA can provide financing to eligible applicants through either direct or guaranteed loans. FSA defines a beginning farmer as a person who:

- Has operated a farm for not more than 10 years
- Will materially and substantially participate in the operation of the farm
- Agrees to participate in a loan assessment, borrower training and financial management program sponsored by FSA
- Does not own a farm in excess of 30 percent of the county's average size farm

Additional program information, loan applications, and other materials are available at your local USDA Service Center. You may also visit www.fsa.usda.gov.

Farm Storage Facility Loans

FSA's Farm Storage Facility Loan (FSFL) program provides low-interest financing to producers to build or upgrade storage facilities and to purchase portable (new or used) structures, equipment and storage and handling trucks.

The low-interest funds can be used to build or upgrade permanent facilities to store commodities. Eligible commodities include corn, grain sorghum, rice, soybeans, oats, peanuts, wheat, barley, minor oilseeds harvested as whole grain, pulse crops (lentils, chickpeas and dry peas), hay, honey, renewable biomass, fruits, nuts and vegetables for cold storage facilities, floriculture, hops, maple sap, rye, milk, cheese, butter, yogurt, meat and poultry (unprocessed), eggs, and aquaculture (excluding systems that maintain live animals through uptake and discharge of water). Qualified facilities include grain bins, hay barns, and cold storage facilities for eligible commodities.

Loans up to \$50,000 can be secured by a promissory note/security agreement and loans between \$50,000 and \$100,000 may require additional security. Loans exceeding \$100,000 require additional security.

(Cont'd...)

Producers do not need to demonstrate the lack of commercial credit availability to apply. The loans are designed to assist a diverse range of farming operations, including small and mid-sized businesses, new farmers, operations supplying local food and farmers markets, non-traditional farm products, and underserved producers.

To learn more about the FSA Farm Storage Facility Loan, visit www.fsa.usda.gov/pricesupport, or contact your local FSA office. To find your local FSA county office, visit <http://offices.usda.gov>.

2015, 2016 and 2017 Average Adjusted Gross Income Compliance Reviews

The AGI verification and compliance reviews for 2015, 2016 and 2017 are conducted on producers who the IRS indicated may have exceeded the adjusted gross income limitations described in [7 CFR 1400.500]. Based on this review, producers will receive determinations of eligibility or ineligibility.

If the producer is determined to have exceeded the average AGI limitation of \$900,000, receivables will be established for payments earned directly or indirectly by the producer subject to the \$900,000 limitation. The FSA Texas Office has begun notifying producers selected for review. If you have any questions about the review process or determinations, please contact FSA's Texas State Office at 979-680-5151.

Producers who receive initial debt notification letters may only appeal the amount of the debt to their local FSA office. Payment eligibility adverse determinations become administratively final 30 days from the date of the payment eligibility adverse determination letter and can only be reopened if exceptional circumstances exist that prevented the producer from timely filing the appeal.

USDA is an equal opportunity provider, employer, and lender. To file a complaint of discrimination, write: USDA, Office of the Assistant Secretary for Civil Rights, Office of Adjudication, 1400 Independence Ave., SW, Washington, DC 20250-9410 or call (866) 632-9992 (Toll-free Customer Service), (800) 877-8339 (Local or Federal relay), (866) 377-8642 (Relay voice users).