



“SCOOP”

ARKANSAS FARM SERVICE AGENCY - - STATE OFFICE

February 2009

SIGNUP DEADLINE ANNOUNCED 2005 -2007 CROP DISASTER PROGRAM

February 27, 2009, has been announced as the final date to file an application for 2005-2007 crop losses for quantity and or quality. Producers are also required to have all supporting documentation submitted by this date. Late-filed provision will not apply.

FRUIT, VEGETABLE (FAV) AND WILD RICE DOUBLE CROPPING REGIONS ESTABLISHED

Producers who participate in the Direct and Counter Cyclical (DCP) Program agree that they will not plant fruits and vegetables (FAV's) or wild rice on base acres. However if the producer and or farm meets one of the three allowable exceptions no penalty will be applicable if FAV or wild rice is planted. One allowable exception is when the FAV or wild rice is planted in a double-cropping practice with a covered commodity or peanuts *in a double cropping region*. The following counties have been approved as double cropping regions for 2009-2012. Ashley, Benton, Clay, Craighead, Crawford, Cross, Faulkner, Franklin, Greene, Independence, Jackson, Jefferson, Lee, Lincoln, Logan, Lonoke, Mississippi, Phillips, Pulaski, St. Francis, Sebastian, Woodruff, and Yell. To learn more about the other two exceptions and other details on FAV and wild rice limits and restrictions contact your local FSA office or visit the January 2009 SCOOP at <http://www.fsa.usda.gov>.

AVERAGE CROP REVENUE ELECTION (ACRE) PROGRAM AND DCP

Many details are still pending on the Average Crop Revenue Election (ACRE) Program therefore; producers are wondering if they should enroll in DCP now or wait until the additional details of ACRE are released. Producers should be aware that they may first enroll in the 2009 DCP program now and even receive their 22 percent advance, and later modify their enrollment to include the ACRE Program if they choose.

ENROLLING FARMS IN DCP ONCE CRP ENDS

Once a Conservation Reserve Program (CRP) contract expires or is voluntarily terminated, producers need to check with their local FSA to see if they have any previously reduced base acres that are eligible to be enrolled into DCP. This occurs if the producer reduced base acres upon the enrollment into CRP because of insufficient cropland to support both the CRP and DCP contract. Upon the expiration or voluntarily termination of a CRP contract the reduced base acres may be given back to the farm and enrolled in DCP. Producers on eligible farms have until June 1, 2009 to enroll and return the required paperwork.

RECONSTITUTION OF FARMS AFFECT DCP ENROLLMENT

If a farm has an active DCP contract and is reconstituted in the same participation year by either a farm division or farm combination, the DCP contract will be terminated and any advance payments must be refunded by all producers. In order for the newly reconstituted land to be eligible for DCP payments, the resulting farm(s) must be enrolled in DCP by the later of June 1, 2009, or 30 calendar days after notification of the new bases and yields.

IMPORTANT DETAILS ON THE ADJUSTED GROSS INCOME (AGI) PROVISIONS

More details of the provisions of AGI have been released. It is essential that producers work closely with their local FSA office to understand the requirements. The newly released details revealed that if 66.66 percent or more of the average AGI of the person or entity is derived from “farming” then it is possible a portion of the “non-farm” income will be moved to “farm” income to determine if the three applicable limits have been exceeded. Producers should not get this 66.66 percent rule confused with the 66.66 percent conservation rule as shown in the table below. This calculation affects all programs.

If 66.66 percent or more of the average adjusted gross income is from “farming” then the sale of equipment to conduct farm, ranch, or forestry operations and the provisions of production inputs and service to farmers, ranchers, foresters, and farm operations will be considered “farm” income instead of “nonfarm” income.

Producers who have a TOTAL adjusted AGI of over \$500,000.00 are encouraged to work or have their CPA work the attached AGI worksheet to determine if their adjusted AGI for “farm” and “nonfarm” income exceed any of the limits. The CCC-926 form can be found at the following link, or your local FSA office:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=landing&topic=landing>.

All program participants including individuals, entities, and members of entities must certify their AGI. The definitions of “farm” and “non farm” income are on the back of the CCC-926.

The limits are as follows:

If average adjusted gross	Then the person or legal entity is ineligible for
NONfarm income exceeds \$500,000	All commodity, price support, and disaster assistance program benefits Note: A person or legal entity with average adjusted gross nonfarm income that exceeds \$500,000 is not eligible for marketing loan gains and LDP payments. However, the person or entity is eligible for marketing assistance loans, but the loans must be repaid at principal plus interest, or commodity certificates may be exchanged for loan collateral.
FARM income exceeds \$750,000	Direct payments under DCP
NONfarm income exceeds \$1 million	All conservation program benefits, unless 66.66 percent or more of the average AGI was derived from activities related to farming, ranching, and forestry operations.

NEW PAYMENT LIMITATION RULES MAY REDUCE PAYMENTS

Partners, members, stockholders, officers of corporations, LLC, LLPs or similar entities and or joint operations need to be aware that new payment limitation rules could make it much harder for entities and joint operations to qualify for payments. As written in the January 2009 SCOOP each partner, stockholder, or member must make a contribution of active personal labor and/or active personal management to the farming operation that are:

- *Performed on a regular basis*
- *Identifiable and documentable*
- *Separate and distinct from the contributions of any other partner, stockholder, or Member of the farming operation.*

Example 1: AB Corporation is made up of stockholder A and stockholder B with equal shares. The corporation provides the capital, and stockholder “A” performs 100% management duties for the entire corporation. The labor is hired. In the previous farm bill the corporation would be considered “actively engaged” and eligible for full payment since the entity provided the capital, and significant and commensurate management was provided by stockholder “A”. Beginning in 2009, the corporation would be considered “actively engaged” as described above, but the *payment would be reduced by 50 percent* since stockholder “B” does not meet the bullets identified above. We also assume stockholder “A” management duties are performed on a regular basis, are identifiable and documented as outlined in the bullets.

Example 2: XYLLP is made up of a general partner with 2% interest, and many other limited partners who have the balance of the share. The XYLLP provides the capital, the labor is hired, and the general partner provides 100% of the management for the LLP. In the previous farm bill the LLP would be considered “actively engaged” and be eligible for full payment since the entity provided the capital and significant and commensurate management was provided by general partner. Beginning in 2009, LLP is still considered “actively engaged” as described above, but the *payment would be reduced by 98 percent* since the **limited** partners cannot perform the bullets identified above. We also assume the general partner management duties are performed on a regular basis, are identifiable, and documented as outlined in the bullets.

Producers, members, and officers are cautioned when certifying the duties and responsibilities of partners, members, stockholders, etc. on the CCC-902E Farm Operating Plan for Entity, that the articles of incorporation, partnership agreement, etc. allow the activity. All documents are subject for review by FSA.

ENROLL ONLINE TO PARTICIPATE IN THE DIRECT AND COUNTER-CYCLICAL PROGRAM (DCP)

DCP contracts may be initiated in any FSA county office in the nation for any farm in the nation, or even through a home computer. Producers who are interested in enrolling in the DCP Program from their home computer shall complete the following steps.

Note: June 1, 2009 is the deadline to enroll and have all signatures returned for those who share in program payments.

Step 1: To use the eDCP service, you must have an active USDA eAuthentication Level 2 account. This account allows you to complete the online transactions and – if you choose – to electronically sign your DCP contract. To obtain this account:

- Complete the online registration form located at: <http://www.eauth.egov.usda.gov>
- Visit your local FSA office for identity verification

Step 2: Go to http://www.fsa.usda.gov/egov/edcp_default.htm, and Log in with your eAuthentication account information. Select your state and county. Select the year and applicable farm number. Enter producer crop shares and payment selections.

Step 3: If you choose to electronically sign your DCP contract, check the electronic signature box before you click the “submit” button. If you do not sign the contract electronically, you must provide appropriate signatures at your local FSA office.

TIP: You can assign crop shares and payment options for other producers on your farm. However, each producer must sign the DCP contract agreeing to the selections. You can print the DCP contract, obtain other needed signatures, and return the completed contract to your FSA Office.

SALES CLOSING DATES NEAR FOR INSURANCE COVERAGE

Producers are reminded that some of FSA’s new disaster programs require the purchase of multi-peril federal crop insurance (RMA), and or the Non-insured Disaster (NAP) Insurance to earn benefits. Sales closing dates for many crops are quickly approaching. Producers should check with RMA immediately so they don’t miss a sales closing date, and also check with their local FSA office to find out details of the sales closing date for NAP and the provisions of the new disaster programs. FSA provides insurance coverage through NAP for crops which RMA will not insure.

COUNTY OFFICES NO LONGER ISSUE PAPER CHECKS

We are all familiar with “the check is in the mail”. The Check will have a new look the next time you receive one. FSA has converted our check writing system to a more updated version. Your County Office no longer has checks to issue payments. The National Payment Service through the Treasury Department will issue the payments directly to you. The checks will look different and may not have information indicating the reason for the check, but it will show that the issuer is The United States Treasury Department. All recipients of payments are encouraged to go to your County Office and sign up for Direct Deposit. By having Direct Deposit, you will have your payments in your account, at least 3 days earlier, than a paper check coming to you through the mail from our check issuing location in Kansas City.

FALL-SEEDED ACREAGE REPORTING DEADLINE

May 15, 2009, is the deadline to report fall-seeded crops to your local FSA Office. A late payment fee will be charged for reports filed after May 15, 2009. Acreage reports are required for some of FSA programs such as but not limited to DCP.

2008 BUY-IN AND 2009 NAP REFUNDS

Pub L. 110-398 amended the 2008 Act, to no longer require producers to obtain a policy or plan of insurance of Non-insured Disaster Assistance (NAP) coverage for crops intended for grazing to be eligible for Supplemental Revenue Assistance Program (SURE), Emergency Assistance Program for Livestock, Honey Bees, and Farm-raised Fish (ELAP), or TAP. It also provided an option to producers to waive the Risk Management Purchase Requirement for a crop that is not economic of economic significance or DeMinimis. Producers who paid the fee for coverage of these crops may now elect a refund at the county office. Producers are cautioned that collection of a refund may make the crop ineligible for program benefits, and the restrictions should be discussed with your local county office.

NASS CASH RENTAL RATE SURVEY

NASS has been mandated by Congress to conduct an annual cash rental rates survey. Producers contacted by NASS are encouraged to complete the survey. FSA feels the information in the survey is essential for running FSA programs cost-effectively and equitably. The information is kept strictly confidential by NASS.

PROGRAM DEADLINES

Noninsured Crop Disaster Assistance Program (NAP) Application Closing Date	
Beans, Cantaloupes, Corn (for grain or forage), Sweet Corn, Cotton, Cucumbers, Eggplant, Grain Sorghum, (for grain), Sorghum (for forage), Millet, Lettuce, Okra, Peanuts, Peas (All varieties), Peppers, Pumpkin, Rice, Soybeans, Squash, Strawberries, Sunflowers, Sweet Potatoes, and Watermelons	February 28, 2009
Tomatoes (Spring & Fall)	March 15, 2009
2009 NAP Acreage Reporting Deadline	
Forage Crops – for Hay and Pasture (mechanically harvested acreage and grazing acreage)	February 15, 2009
Small Grain Crops for Hay or Grazing (barley & oats)	
Pecans – Native and Improved varieties	
Greens – All varieties, Spring Planted	April 1, 2009
Broccoli	
Cabbage	
Carrots	
Sweet Corn	
Lettuce – All varieties	May 15, 2009
Potatoes – All varieties	
Strawberries	
Tomatoes – Spring Planted	
Other Deadlines	
Final Loan and LDP availability for 2008 crop Mohair, Peanuts, Unshorn Pelts, and Wool	February 2, 2009
Final Loan and LDP Availability for 2008-crop Wheat, Barley, Oats, Honey, Canola, Crambe, Flaxseed, Rapeseed, and Sesame Seed	March 31, 2009
Fall Seeded Acreage Reporting Deadline (Wheat & Oats)	May 15, 2009
Final Loan and LDP Availability for 2008-crop Upland Cotton, Rice, Corn, Dry peas, Grain Sorghum, Lentils, Mustard Seed, Safflower Seed, Small Chickpeas, Soybeans and Sunflower seed.	May 31, 2009
2009 DCP enrollment and return of signatures	June 1, 2009

Worksheet for Calculating Average AGI for 2009 and Subsequent Years

Step	Action	Result
1	Enter the total AGI (both nonfarm and farm) for the 3 complete taxable years proceeding the most immediately preceding complete taxable year of the year for which program benefits are requested. Year Amount _____ \$ _____ _____ _____	
2	Total the dollar amounts in step 1.	\$
3	Calculate the average AGI by dividing the result of step 2 by the number of years in step 1.	\$
4	Enter AGI for the same 3 years in step 1 that was derived from all activities related to farming, ranching, and forestry operations. Year Amount _____ \$ _____ _____ _____	
5	Total the dollar amounts in step 4.	\$
6	Calculate the average adjusted gross farm income by dividing the result of step 5 by the number of years in step 4.	\$
7	Calculate the average adjusted gross nonfarm income by subtracting the result of step 6 from the result of step 3.	\$
8	Calculate the percentage of the average adjusted gross farm income from the average AGI by dividing the result of step 6 by the result of step 3, and multiply by 100.	%
	If step 8 is 66.66 percent or greater , and the person or legal entity has income for equipment sales or input services, go to step 13; otherwise, go to step 9	
	Determination	Eligible
9	If the result of step 7 is \$500,000 or less, the person or legal entity is eligible for all commodity, MILC, marketing loan gains, LDP payments, disaster assistance, and conservation program benefits, unless step 6 resulted in ineligibility for direct payments	<input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/>
10	If the result of step 6 is \$750,000 or less, the person or legal entity is eligible for direct payments under DCP.	<input type="checkbox"/> YES <input type="checkbox"/> NO
11	If the result of step 7 is \$1 million or less, the person or legal entity is eligible for all conservation program payments .	<input type="checkbox"/> YES <input type="checkbox"/> NO
12	If the result of step 7 exceeds \$1 million, but the result of step 8 is at least 66.66 percent, the person or legal entity is eligible for all conservation program payments .	<input type="checkbox"/> YES <input type="checkbox"/> NO

**Worksheet for Calculating Average AGI for 2009 and Subsequent Years
(continued)**

Step	Action	Result
13	Enter the total AGI derived from equipment sales and input services for the 3 complete taxable years preceding the most immediately preceding complete taxable year of the year for which program benefits are requested. Year Amount _____ \$ _____ _____ _____	
14	Total the dollar amounts in step 13.	\$
15	Calculate the average AGI from equipment sales and input services by dividing the result of step 14 by the number of years in step 13.	\$
16	Enter adjusted gross farm income for the same 3 years in step 4 that was derived from all activities related to farming, ranching, and forestry operations, plus the amounts entered in step 13 for equipment sales and input services. Year Amount _____ \$ _____ _____ _____	
17	Total the dollar amounts in step 16.	\$
18	Calculate the average adjusted gross farm income including equipment sales and input services by dividing the result of step 17 by the number of years in step 16.	\$
19	Calculate the average adjusted gross nonfarm income by subtracting the result of step 18 from the result of step 3.	\$
20	Calculate the percentage of the average adjusted gross farm income from the average AGI by dividing the result of step 18 by the result of step 3, and multiply by 100.	%
	If step 20 is 66.66 percent or greater , and the person or legal entity has income for equipment sales and input services, go to step 21 .	
	Determination	Eligible
21	If the result of step 19 is \$500,000 or less, the person or legal entity is eligible for all commodity, MILC, marketing loan gains, LDP payments, disaster assistance, and conservation program benefits.	YES NO
22	If the result of step 18 is \$750,000 or less, the person or legal entity is eligible for direct payments under DCP.	YES NO
23	If the result of step 19 is \$1 million or less, the person or legal entity is eligible for all conservation program payments .	YES NO
24	If the result of step 19 exceeds \$1 million, but the result of step 20 is at least 66.66 percent, the person or legal entity is eligible for all conservation program payments .	YES NO

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