

1. Overview of Current Farm Bill and Future Farm Bill

The American Taxpayer Relief Act of 2012 (ATRA) extends authority under the Food, Conservation, and Energy Act of 2008 (the 2008 farm bill) for one year -- to 2013--for selected programs administered by the Farm Service Agency (FSA).

2. Conservation Reserve Program Signup – May 20 – June 14, 2013

- CRP is a voluntary program that helps agricultural producers use environmentally sensitive land for conservation benefits. Producers enrolled in CRP plant long-term, resource-conserving covers to control soil erosion, improve water and air quality and develop wildlife habitat.

Eligibility for CRP

- **Eligible Producers**
- To be eligible for CRP enrollment, a producer must have owned or operated the land for at least 12 months prior to the end of the CRP sign-up period, unless:
- The new owner acquired the land due to the previous owner's death;
- The ownership change occurred due to foreclosure where the owner exercised a timely right of redemption in accordance with state law or;
- The circumstance of the acquisition presents adequate assurance to FSA that the new owner did not acquire the land for the purpose of placing it in CRP.

Eligibility for CRP

- **Eligible Land**
- To be eligible for placement in the CRP general sign-up, land must be cropland (including field margins) that is planted, or considered planted, to an agricultural commodity four of the six crop years from 2002 to 2007, and be physically and legally capable of being planted (no planting restrictions due to an easement or other legally binding instrument) in a normal manner to an agricultural commodity. Alfalfa or other multiyear grasses and legumes grown in a rotation not to exceed 12 years may be eligible for CRP sign-up 45.
- Have a weighted average erosion index of eight or higher

CRP Payments

- FSA provides CRP sign-up 45 participants with annual rental payments, including certain incentive payments and cost-share assistance.
- Rental Payments - In return for establishing long-term, resource-conserving covers, FSA provides rental payments to participants. FSA bases rental rates on the relative productivity of the soils within each county and the average dryland cash rent. County office staff working with the producer will calculate the maximum CRP rental rate for each offer prior to enrollment. Producers may offer land below the rate to increase the likelihood that their offer will be accepted.
- Cost-Share Assistance - FSA provides cost-share assistance to participants who establish approved cover on eligible cropland. The cost-share assistance cannot exceed 50 percent of the participant's costs to establish approved practices.

3. Loan Programs

- Farmers may apply for direct loans at local FSA offices. Guaranteed loans may be available from commercial lenders who apply for loan guarantees from FSA.
- The goal of FSA's farm loan programs is to graduate its borrowers to commercial credit. Once a farmer is able to obtain credit from the commercial lending sector, the Agency's mission of providing temporary, supervised credit is complete.

Loan Programs-Continued

- Some farmers obtain their credit needs through the use of loan guarantees. Under a guaranteed loan, a commercial lender makes and services the loan, and FSA guarantees it against loss up to a maximum of 90 percent in most cases.
- FSA also makes direct loans, which are serviced by an FSA official. FSA has the responsibility of providing credit counseling and supervision to its direct borrowers by making a thorough assessment of the farming operation.

Loan Programs-Continued

- **Farm Ownership Loans**
- Eligible applicants may obtain direct loans up to a maximum indebtedness of \$300,000. Maximum indebtedness for guaranteed loans is \$1,302,000 (amount adjusted annually for inflation). The maximum repayment term is 40 years for both direct and guaranteed farm ownership loans. In general, loan funds may be used to purchase a farm, enlarge an existing farm, construct new farm buildings and/or improve structures, pay closing costs, and promote soil and water conservation and protection.

Loan Programs-Continued

- **Farm Operating Loans**
- Eligible applicants may obtain direct loans for up to a maximum indebtedness of \$300,000, and guaranteed loans for up to a maximum indebtedness of \$1,302,000 (amount adjusted annually for inflation). The repayment term may vary, but typically it will not exceed seven years for intermediate-term purposes. Annual operating loans are generally repaid within 12 months or when the commodities produced are sold. In general, loan funds may be used for normal operating expenses, machinery and equipment, minor real estate repairs or improvements, and refinancing debt.

Loan Programs-Continued

- **Targeted Funds to Socially Disadvantaged and Beginning Farmers**
- Each year Congress targets a percentage of farm ownership and farm operating loan funds to socially disadvantaged (SDA) and beginning farmers.
- An SDA farmer or rancher is a group whose members have been subject to racial, ethnic or gender prejudice because of their identity as members of a group without regard to their individual qualities. These groups consist of American Indians or Alaskan Natives, Asians, Blacks or African-Americans, Native Hawaiians or other Pacific Islanders, Hispanics and women.

Loan Programs-Continued

- Beginning farmer is an individual or entity who:
- Has not operated a farm for more than 10 years;
- Meets the loan eligibility requirements of the program to which he/she is applying;
- Substantially participates in the operation and;
- For FO purposes, does not own a farm greater than 30 percent of the median size farm in the county.

Loan Programs-Continued

- **Downpayment Program**
- FSA has a special loan program to assist SDA and beginning farmers in purchasing a farm. Retiring farmers may use this program to transfer their land to future generations.

Loan Programs-Continued

- To qualify:
- The applicant must make a cash down payment of at least 5 percent of the purchase price.
- The maximum loan amount does not exceed 45 percent of the least of (a) the purchase price of the farm to be acquired; (b) the appraised value of the farm to be acquired or; (c) \$500,000 (Note: This results in a maximum loan amount of \$225,000).
- The term of the loan is 20 years. The interest rate is 4 percent below the direct FO rate, but not lower than 1.5 percent.

Loan Programs-Continued

- The remaining balance may be obtained from a commercial lender or private party. FSA can provide up to a 95 percent guarantee if financing is obtained from a commercial lender. Participating lenders do not have to pay a guarantee fee.
- Financing from participating lenders must have an amortization period of at least 30 years and cannot have a balloon payment due within the first 20 years of the loan.

Loan Programs-Continued

- Microloans
- **Overview**
- The Farm Service Agency (FSA) developed the Microloan (ML) program to better serve the unique financial operating needs of beginning, niche and the smallest of family farm operations by modifying its Operating Loan (OL) application, eligibility and security requirements. The program will offer more flexible access to credit and will serve as an attractive loan alternative for smaller farming operations like specialty crop producers and operators of community supported agriculture (CSA). These smaller farms, including non-traditional farm operations, often face limited financing options.

Loan Programs-Continued

- Microloans can be used for all approved operating expenses as authorized by the FSA Operating Loan Program, including but not limited to:
 - Initial start-up expenses;
 - Annual expenses such as seed, fertilizer, utilities, land rents;
 - Marketing and distribution expenses;
 - Family living expenses;
 - Purchase of livestock, equipment, and other materials essential to farm operations;
 - Minor farm improvements such as wells and coolers.
 - Hoop houses to extend the growing season;
 - Essential tools;
 - Irrigation;
 - Delivery vehicles.

Loan Programs-Continued

- **Simplified Application Process**
- The application process for microloans will be simpler, requiring less paperwork to fill out, to coincide with the smaller loan amount that will be associated with microloans. Requirements for managerial experience and loan security have been modified to accommodate smaller farm operations, beginning farmers and those with no farm management experience.

Loan Programs-Continued

- **Security Requirements**
- For annual operating purposes, microloans must be secured by a first lien on a farm property or agricultural products having a security value of at least 100 percent of the microloan amount, and up to 150 percent, when available.

Farm Storage Facility Loan Program

- **Overview**
- The U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) Farm Storage Facility Loan Program (FSFL) provides low-interest financing for producers to build or upgrade farm storage and handling facilities. The FSA is authorized to implement the program through USDA's Commodity Credit Corporation (CCC).

FSFL- Eligible Facility Loan Commodities

- The following commodities are eligible for farm storage facility loans:
- Corn, grain sorghum, rice, soybeans, oats, peanuts, wheat, barley or minor oilseeds harvested as whole grain
- Corn, grain sorghum, wheat, oats or barley harvested as other-than-whole grain
- Pulse crops - lentils, chickpeas and dry peas
- Hay
- Renewable biomass
- Fruits (includes nuts) and vegetables - cold storage facilities

Eligible Facilities and Upgrades

FSFL

- New conventional cribs or bins designed and engineered for whole grain storage having a useful life of at least 15 years.
- New oxygen-limiting structures and remanufactured oxygen-limiting structures built to original manufacturer's specifications and other upright silo-type structures designed for whole grain wet storage having a useful life of at least 15 years.

Eligible Facilities and Upgrades

FSFL

- New structures suitable for storing hay built according to acceptable design guidelines and having a useful life of at least 15 years.
- New cold storage buildings, including prefabricated buildings, suitable for storing fruits and vegetables having a useful life of at least 15 years. Also may include permanently affixed cooling, circulating, and monitoring equipment and electrical equipment including labor and materials for installation of lights, motors and wiring integral to the proper operation of a cold storage facility.

Facility Loan Terms

- A 15 percent cash down payment is required; thus, CCC's loan is limited to 85 percent of the net cost of the eligible storage facility
- Loan terms available are seven (7) years, ten (10) years or twelve (12) years depending on the amount of the loan.
- Interest rate is fixed for the loan term based on the rate in effect during the month the loan is initially approved.

Cost of Obtaining a Loan

- Each applicant will be charged a nonrefundable \$100 application fee.
- CCC will pay all collateral lien searches and recording fees for filing Form UCC-1 and credit reports.
- Applicants pay all other fees, such as severance agreements, attorney fees, real estate lien search fees, and instrument filing fees.
- For loans over \$50,000, applicants will be required to pay the cost of obtaining a title search/opinion or title insurance.

4. NAP

- **Non-Insured Disaster Assistance Program**
- **Overview**
- USDA's Farm Service Agency's (FSA) Noninsured Crop Disaster Assistance Program (NAP) provides financial assistance to producers of noninsurable crops when low yields, loss of inventory or prevented planting occur due to a natural disaster.

NAP-Eligible Crops

- Eligible crops must be commercially produced agricultural commodity crops for which the catastrophic risk protection level of crop insurance is not available and be any of the following:
- Crops grown for food;
- Crops planted and grown for livestock consumption, including, but not limited to grain and forage crops, including native forage;
- Crops grown for fiber, such as cotton and flax (except for trees);
- Crops grown in a controlled environment, such as mushrooms and floriculture;
- Specialty crops, such as honey and maple sap;
- Value loss crops, such as aquaculture, Christmas trees, ginseng, ornamental nursery and turfgrass sod;
- Sea oats and sea grass and;
- Seed crops where the propagation stock is produced for sale as seed stock for other eligible NAP crop production.

NAP-Eligible Natural Disaster

- An eligible natural disaster is any of the following:
- Damaging weather, such as drought, freeze, hail, excessive moisture, excessive wind or hurricanes;
- An adverse natural occurrence, such as earthquake or flood; A condition related to damaging weather or an adverse natural occurrence, such as excessive heat, plant disease, volcanic smog (VOG), insect infestation or;
- Any combination of these conditions.
- The natural disaster must occur during the coverage period, before or during harvest and must directly affect the eligible crop.

NAP-Applying for coverage

- The application and service fee must be filed by the application closing date as established by the FSA State Committee.
- The service fee is the lesser of \$250 per crop or \$750 per producer per administrative county, not to exceed a total of \$1,875 for a producer with farming interests in multiple counties.

NAP-Applying for Coverage

- Limited resource producers may request a waiver of the service fee. To qualify for an administrative service fee waiver, the producer must meet both of the following criteria:
- Earn no more than \$100,000 gross income in farm sales from each of the previous two years (to be increased starting in FY 2004 to adjust for inflation, using the prices paid by farmers index as compiled by the National Agricultural Statistics Service (NASS));
- Have a total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household for both of the previous two years.

Coverage Period for NAP

- The coverage period for an annual crop begins the later of:
 - 30 days after application for coverage and the applicable service fees have been paid or;
 - The date the crop is planted (cannot exceed the final planting date) and ends the earlier of:
 - The date the crop harvest is completed;
 - The normal harvest date for the crop;
 - The date the crop is abandoned or;
 - The date the entire crop acreage is destroyed.

Information Required to Remain Eligible for NAP

- To remain eligible for NAP assistance, the following crop acreage information must be reported annually:
 - Name of the crop (lettuce, clover, etc.);
 - Type and variety (head lettuce, red clover, etc.);
 - Location and acreage of the crop (field, sub-field, etc.);
 - Share of the crop and the names of other producers with an interest in the crop;
 - Type of practice used to grow the crop (irrigated or non-irrigated);
 - Date the crop was planted in each field and;
 - Intended use of the commodity (fresh, processed, etc.).

Information Required to Remain Eligible for NAP

- In addition, producers must annually provide the following production information:
- The quantity of all harvested production of the crop in which the producer held an interest during the crop year;
- The disposition of the harvested crop, such as whether it is marketable, unmarketable, salvaged or used differently than intended and;
- Verifiable or reliable crop production records (when required by FSA).

Applying for NAP Assistance When a Natural Disaster Strikes

- When a crop or planting is affected by a natural disaster, producers must notify the FSA office where their farm records are maintained and complete Part B, (the Notice of Loss portion) of Form CCC-576, Notice of Loss and Application for Payment. This must be completed within 15 calendar days of whichever occurs earlier:
 - Natural disaster occurrence;
 - Final planting date if planting was prevented by a natural disaster;
 - Date damage to the crop or loss of production became apparent;
 - The normal harvest date.

Applying for NAP Assistance When a Natural Disaster Strikes

To receive NAP benefits;

- The natural disaster must have either:
- Reduced the expected unit production of the crop by more than 50 percent or;
- Prevented the producer from planting more than 35 percent of the intended crop acreage.

Applying for NAP Assistance When a Natural Disaster Strikes

- **Information FSA Uses to Calculate Payment**
- The NAP payment is calculated by unit using:
 - Crop acreage;
 - Approved yield;
 - Net production;
 - 55 percent of an average market price for the specific commodity established by the FSA state committee;
 - A payment factor reflecting the decreasing cost incurred in the production cycle for the crop that is harvested, unharvested or prevented from being planted.

Questions?

- How to contact the Cullman FSA Office;
- (256) 734-6471 Ext 2
- (256) 736-2068 FAX
- Email – kelvin.veal@al.usda.gov
- Office hours Monday – Friday 7:00 -4:30
- Website <http://www.fsa.usda.gov>
- Farm Loan Officer – Jane Tanner
 - (205) 274-2361
 - Jane.tanner@al.usda.gov