

Farm Service Agency Update March 10, 2023







Clay County Farm Service Agency
James Kruize, County Executive Director

Farm Service Agency

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Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Program

ARC Program is an income support program that provides payments when actual crop revenue declines below a specified guarantee level.

PLC Program provides income support payments when the effective price for a covered commodity falls below it's effective reference price.

Crop	Reference Price	National Loan Rate
Barley 1/	\$4.95 per bu.	\$2.50 per bu
Chickpeas, Large		
(Garbanzo bean, Kabuli)	\$21.54 per cwt	\$14.00 per cwt
Chickpeas, Small		
(Garbanzo bean, Desi)	\$19.04 per cwt	\$10.00 per cwt
Corn	\$3.70 per bu	\$2.20 per bu
Dry Peas	\$11.00 per cwt	\$6.15 per cwt
Grain Sorghum	\$3.95 per bu	\$2.20 per bu
Lentils	\$19.97 per cwt	\$13.00 per cwt
Oats	\$2.40 per bu	\$2.00 per bu
Canola	\$20.15 per cwt.	\$10.09 per cwt
Crambe	\$20.15 per cwt	\$10.09 per cwt
Flaxseed	\$11.28 per bu	\$10.09 per bu
Mustard	\$20.15 per cwt	\$10.09 per cwt
Rapeseed	\$20.15 per cwt	\$10.09 per cwt
Safflower	\$20.15 per cwt	\$10.09 per cwt
Sesame Seed	\$20.15 per cwt	\$10.09 per cwt
Sunflower	\$20.15 per cwt	\$10.09 per cwt
Peanuts	\$535.00 per ton	\$355.00 per ton
Rice, Long Grain	\$14.00 per cwt	\$7.00 per cwt
Rice, Medium/Short Grain	\$14.00 per cwt	\$7.00 per cwt
Rice, Temperate Japonica	\$16.10 per cwt	\$7.00 per cwt
Soybeans	\$8.40 per bu	\$6.20 per bu
Wheat	\$5.50 per bu	\$3.38 per bu
Seed Cotton 2/	\$0.367 per lb	.4552 per lb



Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Program

Election

- Election changes for 2023 are optional.
- Producers (all producers with an interest in the cropland) have an opportunity in 2023 to elect either ARC-CO or PLC on a crop-by-crop basis; or ARC-IC for all covered commodity base acres on a farm.
- If an election is not submitted by the deadline of March 15, 2023, the election remains the same as the 2022 election for crops on the farm.
- Web Decision Tools are available:
 - <u>Gardner-farmdoc Payment Calculator</u>, a tool available through the University of Illinois allows producers to estimate payments for farms and counties for ARC-CO and PLC.
 - ARC and PLC Decision Tool, a tool available through Texas A&M tallows producers to estimate payments and yield updates and expected payments for 2023.



Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Program

Enrollment

Producers must annually enroll their respective share interest of base acres.

- Although election changes are optional, producers must enroll through a signed contract each year.
- If you enrolled a multi-year contract on the farm and make an election change for 2023, it will be necessary to sign a new contract.

ELECTION AND ENROLLMENT MUST BE COMPLETED BY MARCH 15, 2023

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Historically Underserved Producers

- Beginning Farmer or Rancher
 - Has not operated a farm or ranch for more than 10 years at the time of application
- A veteran beginning farmer has served in the Armed Forces as defined in 28 U.S.C. 101 (10) and either:
 - Has not operated a farm or ranch for more than 10 years, or
 - Is a veteran who first obtained status as a veteran during the most recent 10-year period



Historically Underserved Producers

Socially Disadvantaged – Farmer or Rancher who:

- Is a member of 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.
- Groups include American Indians or Alaskan Natives, Asians or Asian Americans, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women

Limited Resource – Producer whose:

- Direct or indirect gross farm sales are less than \$180,300 per year in 2017 and 2018 (For Program Year 2020); and
- Total household income was at or below the national poverty level for a family of 4 (\$32,521 in 2017 and 2018 for Program Year 2020)
- Changes each Program Year



Additional Benefits

To obtain increased benefits or reduced fees and premiums as a socially disadvantaged, limited resource, beginning and veteran farmer or rancher, the following form should be completed

and submitted to your FSA office:

CCC-860, "SOCIALLY DISADVANTAGED, LIMITED RESOURCE, BEGINNING AND VETERAN FARMER OR RANCHER CERTIFICATION"

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- Producer certification-based program that provides assistance for those who have suffered a loss of an eligible crop due in whole or in part to a qualifying disaster event or related condition that occurred in the 2020 or 2021 calendar year.
- The crop loss must have resulted in a decrease in gross revenue in the disaster year as compared to applicable benchmark year (2018 or 2019).
- Signup Period: January 23 June 2, 2023



Qualifying Disaster Events

- Qualifying Drought
- Derecho
- Excessive Heat
- Excessive Moisture
- Flooding

- Freeze
- Hurricane
- Smoke exposure
- Wildfire
- Winter storm



Producer Certification

- Producers will certify on the Phase 2 application that they experienced a decrease in allowable gross revenue due to necessary expenses related to losses of eligible crops due in whole or in part to a qualifying disaster event that occurred in calendar year 2020 or 2021.
- Certifications are subject to spotcheck.



Qualifying Loss

- Producers are eligible for benefits if the crop loss resulted in a decrease in allowable gross revenue in the Disaster Year as compared to the Benchmark Year.
- Disaster Year Calendar Year 2020 or 2021
- Benchmark Year Tax Year 2018 or 2019



Allowable Gross Revenue

- Farm income from sales of eligible crops and certain government program payments.
- Includes revenue from all eligible crops if one crop suffered from a qualifying disaster event.
- Based on the tax year applicable to that revenue.



Resources Available for Producers

- Allowable Gross Revenue Chart on FSA-521
- FSA-521-A Form
- Allowable Gross Revenue Tool
- These resources are available to producers on the ERP public interfacing website:

https://www.fsa.usda.gov/programs-and-services/emergency-relief/index



Benchmark Year Revenue

- Benchmark Year Revenue is the amount of allowable gross revenue from tax year 2018 or 2019 that represents a typical year of revenue for the producer's operation.
- On the FSA-521 producers will:
 - Select Benchmark Year
 - 2. Certify to the amount of Benchmark Year Revenue



Selecting Benchmark Year

- Options for Benchmark Year: Tax Year 2018 and 2019
- Only one benchmark year can be selected for each disaster year, either 2018 or 2019.



Selecting Benchmark Year

- The same benchmark year may be used for both 2020 and 2021 disaster years when the producer applies for both disaster years, or the producer may use benchmark years separately when applying for both disaster years.
- The producer will make their benchmark year selection on FSA-521.



Adjusted Benchmark Year Revenue

Benchmark year revenue can be adjusted when:

- 1. Actual allowable gross revenue is not available in a benchmark year (New Producer), or
- 2. Benchmark year revenue is not a fair representation of the selected disaster year because there has been a change in the producer's operation capacity.



Adjusted Benchmark Year Revenue – New Producer

 New producers with no allowable gross revenue in 2018 or 2019 will certify to an adjusted benchmark year revenue that represents what would have been their reasonably expected disaster year revenue prior to the impact of the qualifying disaster event.



Adjusted Benchmark Year Revenue – Change in Operation Capacity

- Operation capacity refers to the potential scope that a farming operation has to produce crops or commodities with available physical resources, such as land and facilities.
- Note: There is no minimum or maximum threshold for changes in operation capacity.



Adjusted Benchmark Year Revenue

Decrease in Operation Capacity

 An adjustment to benchmark year revenue must be completed by the producer if there has been a decrease in operation capacity in a disaster year, as compared to their benchmark year.

Increase in Operation Capacity

An adjustment to benchmark year revenue may be completed by the producer if there has been an increase in operation capacity in a disaster year, as compared to their benchmark year.

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FSA-521-A Worksheet and ERP Application Tool

- A worksheet, FSA-521-A, was created to assist producers in determining adjusted benchmark year revenue.
- A Tool has also been developed and can be used in conjunction with FSA-521-A to calculate Adjusted Benchmark Revenue. In addition, the tool can be used to assist producers in determining allowable gross revenue for both the Benchmark and Disaster Years.
- Both available on FSA's public facing ERP site at: www.fsa.usda.gov/programs-and-services/emergency-relief/index

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Linkage

- Producers receiving payment are required to:
 - Obtain crop insurance or NAP coverage, as applicable for the crop(s) suffering the revenue loss.
 - File an accurate acreage report.
- Separate Linkage Form: FSA-522.
- Producers must identify on FSA-522 crops that suffered the revenue loss.



Linkage Years

Crop insurance and or NAP coverage is required for crops identified on FSA-522 for the next 2 available consecutive crop years but no later than 2026.

The next 2 available consecutive crop years:

- determined from the date a producer receives an ERP payment
- may vary depending on the timing and availability of coverage.



PARP provides financial assistance to eligible producers who experienced a 15 percent or more decrease in revenue from 2020 compared to either 2018 or 2019 for all agricultural commodities except:

- Wild, free-roaming animals
- Horses and other animals used, or intended to be used, for racing or wagering
- Aquatic species that do not meet the definition of aquaculture
- Cannabis sativa L. and any part of that plant that does not meet the definition of hemp, and
- Timber.

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To be eligible for PARP, a producer must have:

- been in the business of farming to produce an agricultural commodity during any part of calendar year 2020 and:
 - was entitled to a share of the agricultural commodity available for marketing; or
 - would have shared had the agricultural commodity been produced and marketed.
- Signup Period: January 23 June 2, 2023



Allowable Gross Revenue

- includes all revenue a producer received on a "cash basis" during the applicable <u>calendar year</u> as reported on Schedule F or other similar Federal tax form, and
- must have been received from the production or sale of an ag commodity including crops, aquaculture, livestock, livestock byproduct, or other animal or animal byproduct.

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Eligible Revenue Sources

- Sales of agricultural commodities produced by the applicant, including the portion of sales resulting from value added through post-production activities;
- Sales of agricultural commodities an applicant purchased for resale, less the cost or other basis of such commodities;
- The taxable amount of cooperative distributions directly related to the sale of the agricultural commodities produced by the applicant;
- Benefits under the following agricultural programs: ARC/PLC, BCAP, DMC, MAL and LDP, MFP, STRP, and MPP-Dairy (regardless of crop or program year);
- CCC loans reported under election if elected to be treated as income and reported to IRS;



Eligible Revenue Sources

- Crop insurance proceeds received from FCIC or private plan of insurance regardless of the crop year;
- Federal disaster program payments under the following programs: 2017 WHIP, ELAP, LFP, LIP, NAP, Milk Loss Program, On-Farm Storage Loss Program, TAP, and WHIP+ (regardless of program or crop year);
- Payments issued through grant agreements with FSA for losses of agricultural commodities;
- NOAA grants and State program funds providing direct payments for the loss of agricultural commodities or the loss of revenue from agricultural commodities;

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Eligible Revenue Sources

- Revenue from raised breeding livestock;
- Revenue earned as a cattle feeding operation;
- Other revenue directly related to the production of agricultural commodities that IRS requires the applicant to report as income; and
- Pandemic Market Volatility Assistance Program (PMVAP) benefits received, regardless of the calendar year in which the payment was received.



Ineligible Revenue Sources

- Applicable pandemic assistance program payments (CFAP 1 and CFAP 2, PLIP, SMHPP);
- 2020 ERP Payments;
- Sales of commodities that are excluded from PARP;
 - Wild free-roaming animals
 - Horses and other animals used or intended to be used for racing or wagering
 - Aquatic species that do not meet the definition of aquaculture
 - Cannabis sativa L. and any part of that plant that does not meet the definition of hemp
 - Timber
 - Revenue earned as a contract producer.



Ineligible Revenue Sources

- Resale items not held for characteristic change;
- Income from a pass-through entity such as an S Corp or LLC;
- Conservation program payments (this includes CRP);
- Any pandemic assistance payments that were not for the loss of agricultural commodities or the loss of revenue from agricultural commodities;
- Custom hire income;
- Net gain from hedging or speculation;
- Wages, salaries, tips, and cash rent; and
- Rental of equipment or supplies.



Producer Exceptions

- Producers may request a COC adjustment to the 2019 actual gross revenue for the following reasons:
 - New Producer in 2020
 - New Producer in 2019 without a full year's revenue to report.
- Producers may request a COC adjustment to the 2018 or 2019 revenue for the following reason:
 - Increased production capacity from 2018 or 2019 to 2020.



How to Prepare for ERP2 and PARP

Producers should start gathering:

- Schedule F (From 1040), Profit or Loss from Farming, or similar tax documents
 - for tax years 2018, 2019, 2020, 2021, and 2022 for ERP
 - calendar years 2018, 2019, and 2020 for PARP
- Detailed 1099G for Government Payments

Review FSA Fact Sheets:

- Emergency Relief Program Phase 2
- Pandemic Assistance Revenue Program
- Emergency Relief Program Phase 2 and Pandemic Assistance Revenue Program Comparison Fact Sheet



How to Prepare for ERP2 and PARP

- Fact Sheets provide a breakdown of allowable revenues and revenues to be excluded from reported gross revenues in the application process.
- Questions on allowable revenues and revenues to be excluded are best addressed with your Tax Advisors.
- Look for more information to come on both programs following FSA Staff Training February 21-23.



Overview

ERP Phase 2 is part of the Extending Government Funding and Delivering Emergency Assistance Act, which includes \$10 billion in assistance to agricultural producers impacted by expenses associated with losses of eligible crops due in whole or part, to a qualifying disaster event experienced during calendar years 2020 and 2021. ERP Phase 2 provides direct financial assistance to producers who suffered an eligible revenue loss in the applicable disaster year, compared to the benchmark year.

Benchmark & Disaster Years

ERP Phase 2 applicants will use the following tax years when selecting allowable gross revenue:

- Benchmark years: 2018 and/or 2019, or adjusted for new producers with no 2018 or 2019 revenue, or if the benchmark years are not representative of the disaster year due to a change in operation size;
- Disaster years: 2020 and/or 2021.
 The allowable gross revenue for the specific disaster year will be based on the tax year applicable to that revenue (2020, 2021 or 2022)

Pandemic Assistance Revenue Program (PARP)

Overview

USDA is providing critical support to producers impacted by the effects of the COVID-19 outbreak through the Pandemic Assistance Revenue Program (PARP). PARP provides direct financial assistance to producers of agricultural commodities who suffered at least a 15% loss in gross revenue in calendar year 2020 due to the COVID-19 pandemic.

Benchmark & Disaster Years

To be eligible for PARP, an agricultural producer must have been in the business of farming aduring at least part of the 2020 calendar year and had a 15% loss in allowable gross revenue for the 2020 calendar year, as compared to:

- The 2018 or 2019 calendar year, as elected by the producer, if they received allowable gross revenue during the 2018 or 2019 calendar years, or
- the producers' expected 2020 calendar year allowable gross revenue if the producer had no allowable gross revenue in 2018 or 2019.

PROGRAM	ERP PHASE 2		PARP	
SOURCE	ALLOWABLE REVENUE	EXCLUDE GROSS REVENUE	ALLOWABLE REVENUE	EXCLUDE GROSS REVENUE
SCHEDULE F LINE 4A "Agricultural program payments", Form 1099- G, or information that could be reported on a Schedule F	Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Program Biomass Crop Assistance Program (BCAP) Loan Deficiency Payment (LDP) Program Market Loan Gains (MLG) - repayment of Commodity Credit Corporation (CCC) loan less than the original amount Market Facilitation Program (MFP) Seafood Trade Relief Program (STRP) For the disaster year only - Emergency Relief Program (ERP) Phase 1 payments issued to another person or entity for the applicant's share of an eligible crop, regardless of the tax year in which the payment would be reported to the IRS	Pandemic Assistance payments including, but not limited to: Coronavirus Foods Assistance Program 1 (CFAP 1) CFAP 2 Pandemic Livestock Indemnity Program (PLIP) Spot Market Hog Pandemic Program (SMHPP) Cost-share assistance Loss of buildings Livestock portion Other programs: Conservation Program Payments Dairy Margin Coverage (DMC) Program Marketing Assistance Loan (MAL)	Payments received under the following programs regardless of crop year or program year: ARC/PLC BCAP DMC LDP, MLG MFP MPP Dairy Seafood Trade Relief Program (STRP)	Pandemic Assistance from: CFAP 1 CFAP 2 PLIP SMHPP Other Programs: Conservation Program Payments 2020 Emergency Relief Program Any pandemic assistance payments that were not for the loss of agricultural commodities or the loss of revenue from agricultural commodities, including, but not limited to: cost-share assistance loss of buildings, etc.

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Continuous CRP (CCRP)

- Targets environmentally sensitive land
- Acres offered must meet specific eligibility criteria by practice
- Contracts 10-15 years in length depending on practice and producer choice
- Rental rate is a weighted average of the 3 predominant soils
- Certain offers eligible for a one time Signing Incentive Payment (SIP) of 32.5% of the first full year annual rental payment for newly enrolled Continuous CRP contract acreage
- Certain offers eligible for a one time Practice Incentive Payment (PIP) of the total costs to establish

 Farm
- Cost-share is available for establishing practices

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Continuous CRP (CCRP)

- Consider the CRP program to assist with the profitability of your farm.
- · Consider your environmentally sensitive areas on your farm.
- Do you have an area that has seen some gullying maybe a grassed waterway can assist.
- Are there areas that a filter strip could benefit?
- Do you have areas of a field with high salinity?
- The field borders practice may assist with the borders of your field.
- Please contact FSA to discuss any areas that are environmentally sensitive to see if CRP can assist your operation.

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Conservation Reserve Program

Transition Incentive Program (TIP)

In last year of CRP contract – CRP landowners may earn 2 additional years of CRP payments if:

- They rent the land out for at least 5 years or sell the land to a beginning farmer, veteran, or socially disadvantaged farmer who is not a relative
- Beginning farmer, Veteran, or Socially
 Disadvantaged Farmers is allowed to make improvements to the land after contract expiration.



Livestock Disaster Programs

Livestock Indemnity Program (LIP)

 pays for death losses due to natural disaster (tornado, blizzard, excess heat, excess cold, etc.)

Livestock Forage Program (LFP)

 pays for grazing losses if severe drought triggers are met.



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Livestock Indemnity Program

DOCUMENTATION OF LIVESTOCK DEATH LOSSES IS VERY IMPORTANT!

PHOTOGRAPHS AND GOOD RECORDS WILL ASSIST IN THE PROCESS.

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Marketing Assistance Loans

- FSA provides 9-month loans on this year's crop that you produced.
- Option for interim financing at harvest time for producers to meet cash flow needs without having to sell their commodities when market prices are typically at harvest-time lows.

	Corn	Soybeans	Wheat	Barley	Oats	Sunflowers
Loan Rate	\$2.06	\$5.96	\$3.49	\$2.35	\$1.99	\$10.65
Final Availability	May 31	May 31	March 31	March 31	March 31	May 31

Very low interest (currently 5.75%)



Farm Record Updates

- Producers are reminded that any of the following type of changes should be reported to FSA to prevent issues later which could include delay in payments:
 - Ownership Changes (purchases or sales)
 - Renting new land
 - No longer operating land
 - Direct Deposit
- If a reconstitution is needed, please contact your FSA office and get the process started.
- FSA is <u>not</u> notified by the County Recorder of these sales.
- Updating records now will save you time later.



Financing Storage and Handling Equipment



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Farm Storage Facility Loans

This includes the following:

- Acquire, construct or upgrade new or used, portable or permanently affixed, on-farm storage and handling facilities;
- Acquire new or used storage and handling trucks; and
- Acquire portable or permanently affixed storage and handling equipment.



Farm Storage Facility Loan

Rates and Terms

Loan terms of 3, 5, 7, 10, or 12 years based on loan amount

- Loans up to \$100,000 term of 3, 5, or 7 years
- Loans from \$100,001 \$250,000 term of 3, 5, 7, or 10 years
- Loans from \$250,001 \$500,000 term of 3, 5, 7, 10, or 12 years
- Used facilities or equipment are limited to 3 or 5 years

March Interest Rates:

- 4.00% (3-year)
- 3.75% (5-year)
- 3.75% (7-year)
- 3.625% (10-year)
- 3.625% (12-year)





Farm Storage Facility Loans

Environmental Evaluation

- Loans must be approved before any site preparation and/or construction can be started
- All loan requests are subject to an environmental evaluation
- Accepting delivery of equipment, starting any site prep or construction before loan approval may impede the successful completion of an environmental evaluation and may adversely affect loan eligibility.



Farm Storage Facility Loans

Collateral Requirements

- All loans must be secured by a promissory note, security agreement, and UCC-1
- Loans under \$100,000
 - Item being purchased and/or constructed
- Loans over \$100,000
 - Requires additional security
 - First mortgage on real estate or
 - Irrevocable Letter of Credit from a Financial Institution
- Severance Agreements





FSA County Committee

- Farmers who serve on committees apply their judgment and knowledge to help with the decisions necessary to administer FSA programs in their counties, ensuring the needs of local producers are met.
- Committee consists of 3 members each representing an LAA
- Members elected for a 3-year term with a 3 term limit
- Advisors appointed to represent women & minority interests



FSA County Committee

To hold office as an FSA county committee member, a person must meet each of the basic eligibility requirements described below:

- Participate or cooperate in a program administered by FSA
- Be eligible to vote in an FSA county committee election
- Reside in the LAA in which the person is a candidate
- A person must not have been:
 - Removed or disqualified from FSA county committee membership or FSA employment
 - Removed for cause from any public office or have been convicted of fraud, larceny, embezzlement or any other felony
 - Dishonorably discharged from any branch of the armed services



FSA County Committee Elections

Each county is divided into 3 Local Administrative Areas (LAA)

LAA #2 will be up for election in 2023 for Clay County

County Committee Election Timeline:

- June & July nominations being accepted
- November ballots mailed to eligible voters
- First week of December last day to return voted ballots to county office
- Ballots counted after deadline to submit ballots
- New elected County Committee member takes office January 1st

To participate in the County Committee election process

- Nominate yourself or someone else
- Vote
- Inform others of the County Committee process





USDA eAuthentication ID

Sign IN Sign UP Enrolling is simple.

Create an account. Verify your identity.

Contact USDA to Link Your Records.

You're enrolled.

With a secure USDA eAuthentication ID, producers doing business as individuals, can apply for select USDA programs or view and print farm maps and farm records data.

Enrolling is easy!

Visit www.eauth.usda.gov to learn more.

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GovDelivery Email

- Free online communications through the GovDelivery electronic news service
- News will be sent via e-mail right to your home or farm office or to your Smartphone
- At least one news bulletin per month (typically you receive two bulletins)
- You can select to receive from as many counties and states that you want
- To subscribe to this service, please provide your e-mail address to the FSA county office or visit www.fsa.usda.gov/subscribe.



GovDelivery Text Messages

- Receive text message alerts from FSA while on-the-go, in the field, or on the tractor.
- Subscribe to text message alerts to receive timely updates on:
 - Deadline reminders, program notifications, reporting requirements, local outreach events
- Text MNClay to FSANOW (372-669) to subscribe to text message alerts from Clay County. Each county will have their own code to subscribe.
- Standard text messaging rates apply. Contact your wireless carrier for details.
- Expect to receive no more than two text messages from FSA each month, on average. Participants may unsubscribe at any time.



Clay County FSA Office

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■ FSA – Option 2

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Questions?



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