

Farm Bill Sign-Up for 2008 Underway: Programs Very Similar to Farm Bill 2002

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Farmers began signing up for direct and counter-cyclical payment programs for 2008 crops during the end of June. Sign-up ends on September 30, 2008, however, due to the lateness of the 2008 Programs, FSA is extending the final date for complete acreage reports for spring seeded crops until August 15, 2008. Producers signing up for the direct payment program will immediately become eligible for a 22% advance payment at the same per bushel rates as last year.

Very few of the changes initiated by the recently passed Food and Energy Conservation Act of 2008, will be in effect this year. While the new farm bill tweaks (makes minor adjustments to payment rates), basic commodities provisions (direct, counter-cyclical and loan deficiency payments) and other basic market risk management programs remain as they were in Farm Bill 2002. Producers with less than 10 base acres are no longer eligible to receive benefits and a new permanent disaster assistance program will be implemented.

Disaster Assistance Program

This new permanent disaster program does not require sign-up, but potential recipients of benefits must meet eligibility requirements. According to a recent newsletter from the Farm Service Agency (FSA), to be eligible for these programs, producers **MUST** purchase at least the Catastrophic Insurance (CAT) level of crop insurance for ALL insurable crops and/or Noninsured Crop Disaster Assistance Program (NAP) coverage for noninsurable crops. Sales

closing dates for CAT and NAP have passed for the 2008 crop year. FSA is accepting a buy-in fee through Sept. 16, 2008 at the cost of \$100 per crop to be eligible for Supplemental Agricultural Disaster Assistance for crops for which producers did not purchase crop insurance or NAP coverage for 2008.

NOTE: Starting this fall for 2009, the new NAP service fee is \$250 per crop per county or \$750 per producer per county. The fee cannot exceed a total of \$2,250 per producer for individuals with farming interests in multiple counties. Limited resource producers may request a waiver for service fees. The final application dates for 2009 are **Sept. 1, 2008** - Small grains for grazing and Fall seeded crops, **Dec. 1, 2008** - Native Grass, Improved grasses and **March 15, 2009** - Spring seeded crops.

There are some parts of the new permanent disaster assistance program which might discourage the planting of catch crops. The bill specifies that the income from the catch crop will count to reduce loss from the primary crop. This permanent disaster assistance program, as the name implies, provides disaster assistance but does not seem to be a program with a potential for a large payout. The catch crop provisions should not discourage the planting of a catch crop that otherwise appears profitable after a loss.

2009 Sign-Up

Sign-up for the farm program for the 2009 crop year will start in October 2008. Producers should familiarize themselves with various components of the 2008 farm bill as soon as the final rules (regulations) are released. Regulations could be available as early as mid-August.

Each producer should review the new payment eligibility and participation limitation rules as they apply to his/her situation and decide if it would be beneficial to make any changes to the structure of their business. The 3-entity rule was terminated and a direct attribution rule applies to all commodity program payments. Spouses may qualify as "person" eligible to receive payments. A spouse of an actively engaged spouse is automatically credited with making a significant contribution of labor and management. A spouse is defined as a "family member." **NOTE:** The addition of a "family member" qualifies as substantive change.

There are some changes in the payment eligibility rules. If an entity or individual earns an average of more than \$500,000 in adjusted non-farm income during the 3 years prior to the applicable year, the individual or entity is ineligible for any commodity program payments for that year. If an individual or entity earns an average of more than \$750,000 in adjusted Farm, Ranch & Forestry (FRF) income during the 3 years prior to the applicable year, the individual or entity is ineligible for Direct Payments for the year.

ACRE

The bill added a new, optional, Average Crop Revenue Election (ACRE) program, beginning with the 2009 crop year. Producers may elect to participate in the ACRE program instead of the counter-cyclical program, and may sign-up for the ACRE program any year during the remaining life of Farm Bill 2008 (2009-2012), starting in 2009. Once selected, the ACRE program becomes permanent for all covered commodities produced on that farm.

This new ACRE option would generate payments on a crop-specific basis whenever average per-acre revenue at the state level falls below the per-acre state guarantee. To participate in the ACRE program, producers must agree to a 20 percent reduction in direct payments and a 30 percent reduction in loan rates on enrolled farms. In return, producers are eligible for a state-based revenue guarantee, by commodity, equal to 90 percent of the product of a state average yield per acre for the previous five years (after dropping the highest and lowest years) times the national average price for the previous two years for the commodity. If actual state per-acre revenue is less than the guarantee and if a producer suffers an actual revenue loss for the crop on the farm, then the producer will receive an ACRE payment equal to the difference between the state per-acre revenue guarantee and the state actual revenue calculation paid on 83.3 percent (85 percent for 2012) of the acres planted to the covered commodity on the farm.

After USDA publishes the regulations to implement Farm Bill 2008, spreadsheets will be prepared to help producers to make ACRE participation decisions.