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- [USDA Expands Microloans to Help Farmers Purchase Farmland & Improve Property](#)
- [USDA Sees Strong Demand for Conservation Reserve Program](#)
- [USDA Removes Farm Program Payments to Managers Not Actively Engaged in Farming](#)
- [Farm Storage Facility Loans](#)
- [February Interest Rates](#)
- [CRP Payment Limitation](#)
- [Farm Reconstitutions](#)
- [Disaster Set-Aside \(DSA\) Program](#)
- [Farm Loan Graduation Reminder](#)
- [Crop Insurance Deadline Nears Illinois – Farmers with Insurable Spring-Planted Crops Need to Make Insurance Decisions Soon](#)

Illinois FSA Newsletter

Illinois Farm Service Agency

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USDA Expands Microloans to Help Farmers Purchase Farmland & Improve Property

USDA will begin offering farm ownership microloans, creating a new financing avenue for farmers to buy and improve property. These microloans will be especially helpful to beginning or underserved farmers, U.S. veterans looking for a career in farming, and those who have small and mid-sized farming operations.

The microloan program, which recently celebrated its third anniversary, has been hugely successful, providing more than 16,800 low-interest loans, totaling over \$373 million to producers across the country. Microloans have helped farmers and ranchers with operating costs, such as feed, fertilizer, tools, fencing, equipment, and living

Administrative Officer: Dan Puccetti expenses since 2013. Seventy percent of loans have gone to new farmers.

Division Chiefs: Doug Bailey
Jeff Koch
Stan Wilson

Now, microloans will be available to also help with farm land and building purchases, and soil and water conservation improvements. FSA designed the expanded program to simplify the application process, expand eligibility requirements and expedite smaller real estate loans to help farmers strengthen their operations. Microloans provide up to \$50,000 to qualified producers, and can be issued to the applicant directly from the USDA Farm Service Agency (FSA).

Please contact your local FSA Office for questions specific to your operation or county.

This microloan announcement is another USDA resource for America's farmers and ranchers to utilize, especially as new and beginning farmers and ranchers look for the assistance they need to get started. To learn more about the FSA microloan program visit www.fsa.usda.gov/microloans, or contact your local FSA office. To find your nearest office location, please visit <http://offices.usda.gov>.

USDA Sees Strong Demand for Conservation Reserve Program

USDA reminds farmers and ranchers that the competitive sign-up deadline for its most popular voluntary conservation program, the Conservation Reserve Program (CRP), is Feb. 26, 2016. This will be one of the most competitive general sign-up periods in history, in part due a statutory limit on the number of acres that can be enrolled in the program. The most competitive applications will be those that combine multiple conservation benefits, such as water quality and wildlife habitat.

For the past thirty years, CRP has provided financial incentives to farmers and ranchers to remove environmentally sensitive agricultural land from production to be planted with certain grasses, shrubs and trees that improve water quality, prevent soil erosion and increase wildlife habitat. Since 1985, CRP has sequestered an annual average of 49 million tons of greenhouse gases, equal to taking 9 million cars off the road; prevented 9 billion tons of soil from erosion, enough to fill 600 million dump trucks; and reduced nitrogen and phosphorous runoff by 95 and 85 percent, respectively. CRP also protects more than 170,000 stream miles with forests and grasses, enough to go around the world seven times. The program has allowed for the restoration of 2.7 million acres of wetland.

As of January 2016, 23.6 million acres were enrolled in CRP, with contracts for more than 1.6 million acres set to expire this fall. The statutory cap on acres that can be enrolled is 24 million acres. Submissions will be ranked according to environmental benefits in comparison to all other offers nationwide. USDA will announce accepted offers after the enrollment period ends and offers are reviewed. For an interactive tour of CRP success stories from across the U.S., visit www.fsa.usda.gov/CRPis30, or follow on Twitter at #CRPis30.

For an interactive look at USDA's work in conservation and forestry over the course of this Administration, visit <http://medium.com/usda-results>

USDA Removes Farm Program Payments to Managers Not Actively Engaged in Farming

USDA finalized a rule to ensure that farm safety-net payments are issued only to active managers of farms that operate as joint ventures or general partnerships, consistent with the direction and authority provide by Congress in the 2014 Farm Bill. The action, which exempts family farm operations, closes a loophole where individuals who were not actively part of farm management still received payments.

Since 1987, the broad definition of “actively engaged” resulted in some general partnerships and joint ventures adding managers to the farming operation, qualifying for more payments that did not substantially contribute to management. The rule applies to operations seeking more than one farm manager, and requires measureable, documented hours and key management activities each year. Some operations of certain sizes and complexity may be allowed up to three qualifying managers under limited conditions. The changes apply to payments for 2016 and subsequent crop years for Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Programs, Loan Deficiency Payments (LDP) and Marketing Loan Gains (MLG) realized via the Marketing Assistance Loan program.

As required by Congress, the new rule does not apply to family farms, or change regulations related to contributions of land, capital, equipment, or labor. The changes go into effect for the 2016 crop year for most farms. Farms that have already planted fall crops for 2016 have until the 2017 crop year to comply. For more details, producers are encouraged to consult their local Farm Service Agency office.

Farm Storage Facility Loans

FSA’s Farm Storage Facility Loan (FSFL) program provides low-interest financing to producers to build or upgrade storage facilities.

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 \$100,000 can be secured by a promissory note/security agreement. FSFLs between \$100,000 and \$500,000 will require additional security.

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 county office. To find your local FSA county office, visit <http://offices.usda.gov>.

February Interest Rates

Selected Interest Rates for February 2016	
Commodity Loans	1.625%
Farm Operating Loans — Direct	2.625%
Farm Ownership Loans — Direct	3.875%
Farm Ownership Loans — Direct Down Payment, Beginning Farmer or Rancher	1.500%
Emergency Loans	3.625%
Farm Storage Facility Loans (7 years)	2.00%
Farm Storage Facility Loans (10 years)	2.125%
Farm Storage Facility Loans (12 years)	2.250%

Dates to Remember	
Feb 26	Conservation Reserve Program (CRP) General Sign Up ends
Mar 15	Sales Closing Date for crop insurance for most spring crops
Mar 31	Final availability date for 2015 Marketing Assistance Loans & LDPs for small grain and honey
Continuous	Farm Facility Loans

CRP Payment Limitation

Payments and benefits received under the Conservation Reserve Program (CRP) are subject to the following:

- payment limitation by direct attribution
- foreign person rule
- average adjusted gross income (AGI) limitation

The 2014 Farm Bill continued the \$50,000 maximum CRP payment amount that can be received annually, directly or indirectly, by each person or legal entity. This payment limitation includes all annual rental payments and incentive payments (Sign-up Incentive Payments and Practice Incentive Payments). Annual rental payments are attributed (earned) in the fiscal year in which program performance occurs. Sign-up Incentive Payments (SIP) are attributed (earned) based on the fiscal year in which the contract is approved, not the fiscal year the contract is effective. Practice Incentive Payments (PIP) are attributed (earned) based on the fiscal year in which the cost-share documentation is completed and the producer or technical service provider certifies performance of practice completion to the county office.

Such limitation on payments is controlled by direct attribution.

- Program payments made directly or indirectly to a person are combined with the pro rata interest held in any legal entity that received payment, unless the payments to the legal entity have been reduced by the pro rata share of the person.

- Program payments made directly to a legal entity are attributed to those persons that have a direct and indirect interest in the legal entity, unless the payments to the legal entity have been reduced by the pro rata share of the person.
- Payment attribution to a legal entity is tracked through four levels of ownership. If any part of the ownership interest at the fourth level is owned by another legal entity, a reduction in payment will be applied to the payment entity in the amount that represents the indirect interest of the fourth level entity in the payment entity.

Essentially, all payments will be “attributed” to a person’s Social Security Number. Given the current CRP annual rental rates in many areas, it is important producers are aware of how CRP offered acreages impact their \$50,000 annual payment limitation. Producers should contact their local FSA office for additional information.

NOTE: The information in the above article only applies to contracts subject to 4-PL and 5-PL regulations. It does not apply to contracts subject to 1-PL regulations.

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 farms or tracts of land based on the farming operation.

The following are the different methods used when doing a farm recon.

Estate Method — the division of bases, allotments and quotas for a parent farm among heirs in settling an estate;

Designation of Landowner Method — may be used when (1) part of a farm is sold or ownership is transferred; (2) an entire farm is sold to two or more persons; (3) farm ownership is transferred to two or more persons; (4) part of a tract is sold or ownership is transferred; (5) a tract is sold to two or more persons; or (6) tract ownership is transferred to two or more persons. In order to use this method the land sold must have been owned for at least three years, or a waiver granted, and the buyer and seller must sign a Memorandum of Understanding;

DCP Cropland Method — the division of bases in the same proportion that the DCP cropland for each resulting tract relates to the DCP cropland on the parent tract;

Default Method — the division of bases for a parent farm with each tract maintaining the bases attributed to the tract level when the reconstitution is initiated in the system.

Disaster Set-Aside (DSA) Program

FSA borrowers with farms located in designated primary or contiguous disaster areas who are unable to make their scheduled FSA loan payments should consider the Disaster Set-Aside (DSA) program.

DSA is available to producers who suffered losses as a result of a natural disaster and is intended to relieve immediate and temporary financial stress. FSA is authorized to consider setting aside the portion of a payment/s needed for the operation to continue on a viable scale.

Borrowers must have at least two years left on the term of their loan in order to qualify.

Borrowers have eight months from the date of the disaster designation to submit a complete application. The application must include a written request for DSA signed by all parties liable for the debt along with production records and financial history for the operating year in which the disaster occurred. FSA may request additional information from the borrower in order to determine eligibility.

All farm loans must be current or less than 90 days past due at the time the DSA application is complete. Borrowers may not set aside more than one installment on each loan.

The amount set-aside, including interest accrued on the principal portion of the set-aside, is due on or before the final due date of the loan.

For more information, contact your local FSA farm loan office.

Farm Loan Graduation Reminder

FSA Direct Loans are considered a temporary source of credit that is available to producers who do not meet normal underwriting criteria for commercial banks.

FSA periodically conducts Direct Loan graduation reviews to determine a borrower's ability to graduate to commercial credit. If the borrower's financial condition has improved to a point where they can refinance their debt with commercial credit, they will be asked to obtain other financing and partially or fully pay off their FSA debt.

By the end of a producer's operating cycle, the Agency will send a letter requesting a current balance sheet, actual financial performance and a projected farm budget. The borrower has 30 days to return the required financial documents. This information will be used to evaluate the borrower's potential for refinancing to commercial credit.

If a borrower meets local underwriting criteria, FSA will send the borrower's name, loan type, balance sheet and projected cash flow to commercial lenders. The borrower will be notified when loan information is sent to local lenders.

If any lenders are interested in refinancing the borrower's loan, FSA will send the borrower a letter with a list of lenders that are interested in refinancing the loan. The borrower must contact the lenders and complete an application for commercial credit within 30 calendar days.

If a commercial lender rejects the borrower, the borrower must obtain written evidence that specifies the reasons for rejection and submit to their local FSA farm loan office.

If a borrower fails to provide the requested financial information or to graduate, FSA will notify the borrower of noncompliance, FSA's intent to accelerate the loan, and appeal rights.

Crop Insurance Deadline Nears Illinois – Farmers with Insurable Spring-Planted Crops Need to Make Insurance Decisions Soon

The USDA's Risk Management Agency (RMA) reminds producers in Illinois that the final date to purchase or modify crop insurance coverage on most insurable spring-planted crops is March 15.

Crop insurance protects producers from natural disasters which affect crop yields and revenues. Producers have a number of coverage choices, including yield coverage, revenue protection and area risk policies.

Farmers have several new insurance options to consider for the 2015 crop year, as well as improvements to the farm safety net for beginning farmers and those with diversified operations. Many of the new options are provisions of the 2014 Farm Bill that RMA was able to implement in time for spring crops this year.

There are also new benefits for beginning farmers for the 2015 crop year. These benefits help farmers just starting out establish production history and reduce the cost of insurance.

Producers are strongly urged to contact a crop insurance agent as soon as possible for premium quotes and more details. Crop insurance is sold and delivered solely through private crop insurance agents. A list of crop insurance agents is available at all the USDA Service Centers and online at the RMA Agent locator. Producers can use the RMA Cost Estimator to get a premium amount estimate of their insurance needs online.

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).

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