

For: State and County Offices

Preliminary Information About 2008 Through 2012 DCP

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A Background

The Food, Conservation, and Energy Act of 2008 (Act), Pub. L. 110-234, was enacted into law on May 22, 2008. The Act provides for the following:

- continuing DCP for 2008 through 2012
- authorizes an Average Crop Revenue Election (ACRE) Program for 2009 through 2012.

Federal regulations and program policies and procedures are currently being drafted and developed and will be finalized over the next several months.

B Purpose

This notice:

- provides an overview of the Act as it relates to 2008 through 2012 DCP
- clarifies that rice is statutorily designated as long grain and medium grain rice for 2008
- obsoletes Notice DCP-186.

Disposal Date	Distribution
December 1, 2008	State Offices; State Offices relay to County Offices

Notice DCP-187

2 Basic Provisions

A Covered Commodities

The following table compares covered commodities between the 2002 Act and the Act.

2007 Covered Commodities Eligible for DCP Under the 2002 Act	2008 Through 2012 Covered Commodities Eligible for DCP Under the Act
Barley	Barley
Corn	Corn
Grain Sorghum	Grain Sorghum
Oats	Oats
Other Oilseeds (Canola, Crambe, Flaxseed, Mustard Seed, Rapeseed, Safflower, Sesame Seed, or Sunflower Seed)	Other Oilseeds (Canola, Crambe, Flaxseed, Mustard Seed, Rapeseed, Safflower, Sesame Seed, or Sunflower Seed)
Peanuts	Peanuts
	Pulse Crops
Rice	Long Grain Rice
	Medium Grain Rice
Soybeans	Soybeans
Upland Cotton	Upland Cotton
Wheat	Wheat

Note: Although peanuts are **not** included in the statutory definition of covered commodities, they are treated as a covered commodity.

B Bases Acres

Base acres:

- in effect on September 30, 2007, will be in effect for 2008 DCP
- for long grain and medium grain rice will be recalculated.

Note: For 2008 and succeeding years, short grain and medium grain rice will be considered as medium grain rice.

For 2009, pulse crops will be added as a covered commodity. Pulse crops are defined as follows:

- chickpeas, large (Garbanzo bean, Kabuli)
- chickpeas, small (Garbanzo bean, Desi)
- dry peas
- lentils.

2 **Basic Provisions (Continued)**

C Base Acre Adjustments

The Act provides for adjustments in base acres in the following situations:

- CRP contract expires or is voluntarily terminated
- cropland is released from coverage under CRP by the Secretary
- pulse crop acreage is established similarly to the establishment of oilseed acreage under the 2002 Act
- additional eligible oilseed acreage is established, because of the Secretary designating additional oilseeds, similarly to the establishment of oilseed acreage under the 2002 Act
- if the sum of the base acres on the farm plus the following items exceed the DCP cropland on the farm, the base acres on the farm **must** be reduced unless the double-cropping exception applies:
 - acreage enrolled in CRP or WRP
 - any acreage enrolled in a Federal conservation program for which payments are made in exchange for **not** producing an agricultural commodity on the acreage
 - the addition of any pulse crop acreage
 - the addition of any additional oilseed acreage.

D Payment Yields

Payment yields are required to be established for making direct and counter-cyclical payments for each farm for any designated oilseed or eligible pulse crop for which a payment yield was **not** established under the 2002 Act.

E Payment Acres

Under the 2002 Act, payment acres were 85 percent of the applicable base acres. The Act provides for the following percentages to compute payment acres.

Year	Percentage of Base Acres Used to Calculate Direct Payments	Percentage of Base Acres Used to Calculate Counter-Cyclical Payments
2008	85%	85%
2009	83.3%	85%
2010	83.3%	85%
2011	83.3%	85%
2012	85%	85%

2 **Basic Provisions (Continued)**

F Prohibition on Payments

The Act prohibits direct payments, counter-cyclical payments, or average crop revenue election payments to a producer on a farm, if the sum of the base acres on the farm is 10 acres or less.

Exceptions: The following are 2 exceptions to the prohibition on payments:

- a socially disadvantaged farmer or rancher
- a limited resource farmer or rancher.

G Reduction in Bases

The Act directed that crop acreage bases for covered commodities and peanuts be reduced for land that has been subdivided and developed for multiple residential units or other nonfarming uses if the size of the tracts and the density of the subdivision is such that the land is unlikely to return to the previous agricultural use. Policy is being developed to carry out this provision.

H Direct Payments

Direct payments will be issued for each of the 2008 through 2012 crop years of each of the covered commodities (other than pulse crops). Direct payment rates for the covered commodities receiving payments are as follows.

Crop	2008 Through 2012 Payment Rate
Barley	\$0.24/bu
Corn	\$0.28/bu
Grain Sorghum	\$0.35/bu
Oats	\$0.024/bu
Other Oilseeds	\$0.80/cwt
Peanuts	\$36/ton
Rice, Long Grain Rice	\$2.35/cwt
Rice, Medium Grain Rice	\$2.35/cwt
Soybeans	\$0.44/bu
Upland Cotton	\$0.0667/lb
Wheat	\$0.52/bu

Note: Although peanuts are **not** included in the statutory definition of covered commodities, they are treated as a covered commodity.

Advance direct payments will be available for producer election for 2008 through 2011 crop years. The advance direct payment percentage is 22 percent. For 2008, advance payments will be made as soon as practical after the producer makes an election.

Notice DCP-187

2 Basic Provisions (Continued)

H Direct Payments (Continued)

The payment limitation amounts for direct payments received, directly or indirectly, by a person or legal entity for crop years 2008 through 2012 are as follows.

Crop	Payment Limitation
Any covered commodity (except peanuts)	\$40,000
Peanuts	\$40,000

Payment limitation amounts will be adjusted for participation in ACRE in years 2009 through 2012. The timing of the advance direct payment for the 2009 through 2011 crop years are similar to advance direct payments under the 2002 Act.

I Counter-Cyclical Payments

Counter-cyclical payments will be:

- issued for each of the 2008 through 2012 crop years of each covered commodities if the effective price for the covered commodity is less than the target price for the covered commodity
- made after October 1 or as soon as practical after the end of the marketing year for the covered commodity.

If it is estimated that a counter-cyclical payment for a covered commodity will be issued, producers on a farm, for crop years 2008 through 2010, will be able to request partial advances for those counter-cyclical payments. The advance counter-cyclical payment may be requested at any time, but not later than 60 calendar days before the end of the marketing year for that covered commodity. The advance counter-cyclical payment will not exceed 40 percent of the projected counter-cyclical payment for the covered commodity for the crop year. The advance counter-cyclical payment will be made after completion of 180 calendar days of the marketing year for the covered commodity. The final counter-cyclical payment will be made beginning October 1, or as soon as practicable thereafter, after the end of the applicable marketing year for the covered commodity.

The payment limitation amounts for counter-cyclical payments received, directly or indirectly, by a person or legal entity for crop years 2008 through 2012 are as follows.

Crop	Payment Limitation
Any covered commodity (except peanuts)	\$65,000
Peanuts	\$65,000

Payment limitation amounts will be adjusted for participation in the ACRE Program in years 2009 through 2012.

Notice DCP-187

2 Basic Provisions (Continued)

J Target Prices

Target prices for covered commodities for the 2008 Act are as follows.

Crop	2008	2009	2010 Through 2012
Barley	\$2.24/bu	\$2.24/bu	\$2.63/bu
Chickpeas, Large (Garbanzo bean, Kabuli)		\$12.81/cwt	\$12.81/cwt
Chickpeas, Small (Garbanzo bean, Desi)		\$10.36/cwt	\$10.36/cwt
Corn	\$2.63/bu	\$2.63/bu	\$2.63/bu
Dry Peas		\$8.32/cwt	\$8.32/cwt
Grain Sorghum	\$2.57/bu	\$2.57/bu	\$2.63/bu
Lentils		\$12.81/cwt	\$12.81/cwt
Oats	\$1.44/bu	\$1.44/bu	\$1.79/bu
Other Oilseeds	\$10.10/cwt	\$10.10/cwt	\$12.68/cwt
Peanuts	\$495/ton	\$495/ton	\$495/ton
Rice, Long Grain	\$10.50/cw	\$10.50/cwt	\$10.50/cwt
Rice, Medium Grain	\$10.50/cw	\$10.50/cwt	\$10.50/cwt
Soybeans	\$5.80/bu	\$5.80/bu	\$6.00/bu
Upland Cotton	\$0.7125/lb	\$0.7125/lb	\$0.7125/lb
Wheat	\$3.92/bu	\$3.92/bu	\$4.17/bu

K ACRE Program

The Act authorizes ACRE Program payments. In crop years 2009 through 2012, producers who make an irrevocable election to receive ACRE Program payments will:

- **not** receive counter-cyclical payments on the farm
- be subject to a 20 percent reduction in direct payments for all covered commodities
- be subject to a 30 percent reduction in marketing assistance loan rates for all covered commodities.

Note: The ACRE Program is **not** available until 2009. More information will be provided about ACRE in future notices.

Notice DCP-187

2 Basic Provisions (Continued)

L Planting Flexibility

Planting flexibility is allowed similar to what it was in the 2002 Act.

A Planting Transferability Pilot Project is authorized to permit planting cucumbers, green peas, lima beans, pumpkins, snap beans, sweet corn, and tomatoes grown for processing on base acres during each of the 2009 through 2012 crop years. The number of bases acres eligible during each crop year for the pilot project will be as follows.

State	Base Acres Eligible
Illinois	9,000
Indiana	9,000
Iowa	1,000
Michigan	9,000
Minnesota	34,000
Ohio	4,000
Wisconsin	9,000

To be eligible for the Planting Transferability Pilot Project, a producer **must**:

- have entered into a contract to produce a crop of the commodities in this subparagraph
- agree to have a program of crop rotation on the farm to achieve agronomic and pest and disease management
- provide evidence of disposition.

DCP base acres will be reduced on a farm by an acre-for-acre reduction. Base acres will be restored at the end of the crop year.

Additional details for implementing the Planting Transferability Pilot Project will be provided in future notices.

Notice DCP-187

2 Basic Provisions (Continued)

M Compliance

To be eligible to receive payments mentioned in this notice, producers who enroll in DCP **must**:

- comply with applicable conservation requirements under the Food Security Act of 1985, Title XII, subtitle B (16 U.S.C. 3811 et seq.)
- comply with applicable wetland protection requirements under the Food Security Act of 1985, Title XII, subtitle C (16 U.S.C. 3821 et seq.)
- comply with the planting flexibility requirements
- use the land on the farm, in a quantity equal to the attributable base acres for the farm and any base acres for peanuts, for an agriculture or conserving use and **not** for a nonagricultural commercial, industrial, or residential use
- effectively control noxious weeds and otherwise maintain the land according to sound agricultural practices if the land is **not** cultivated
- file an annual acreage report
- file a production report if participating in the ACRE Program.