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TO: SEDs and STO ARCPLC Specialists

Farm Programs
Production,
Emergencies, &
Compliance
Division

FROM: Brad Pfaff *Brad Pfaff*
Acting Deputy Administrator for Farm Programs

SUBJECT: Revised Administrative County Rules for 2014 and 2015 ARC-CO

1400 Independence
Ave, SW
Stop 0517
Washington, DC
20250-0517

Voice: 202-720-7641
Fax: 202-690-2130

Per regulation, ARC-CO payments are based on administrative county. Earlier this year, concerns were raised about a small number of farms that had a complete mismatch between administrative county and physical location of the farm due to previous office closures or other reasons. On April 8, 2015, my office made a change to our common provisions policy which allowed the owners of a farm to return that farm to the physically located county.

I am making another narrow modification to the administrative versus physical location county issue for ARC-CO that is applicable only to 2014 and 2015 since program participants had limited understanding and ability to make changes. This modification in no way allows a farm to retroactively change administrative county or to be reconstituted and only relates to how payments are calculated.

2014 and 2015 Policy

Using the authority provided in 7 CFR § 1412.2(e), I am providing producers on a farm with a tract(s) that is physically located in a county that is not the administrative county of the farm the opportunity to calculate a benchmark guarantee, benchmark revenue, and actual revenue based on the physical location of each tract of the farm.

This opportunity will be extended to farms that meet the above criteria for 2014 and/or 2015 ARC-CO participating farms. The policy change would allow producers enrolled on 2014 and 2015 farms the opportunity to have ARC-CO benefits recalculated based on physical location. The payments would be recalculated in each physical location, and summed for the farm using weights according to the number of base acres (including attributed base acres) in each county (see examples).

The choice is between recalculating all base acres on a farm or to retain the current calculation based on administrative county of the farm—e.g. producers are not allowed to pick and choose among tracts or crops. In some instances the recalculation for a farm may result in a higher payment for one crop and a lower payment for another crop—the recalculated payment will be net of the two payments and in some cases may necessitate one shareholder returning a portion of a payment if the shares are split by crops among producers.

All producers on a farm with a share in the payment must unanimously agree to recalculate the payment based on the physical location of the tracts. Should all producers not agree, payments will not be recalculated. This decision may be made independently in 2014 and 2015.

Producers have until February 1, 2016, to request a recalculation.

Further policy and software will be forthcoming.

2016-2018 Policy:

Producers on a farm with a tract physically located in a county that is not the administrative county of the farm may request a:

- farm transfer to return the farm to the physically located county according to 10-CM
- reconstitution to separate the tracts of the farm which would then allow a tract(s) to be transferred to the physically located county.

Example 1

FSN 1 is administratively located in County A. The payment based on administrative county was calculated at \$1,700. If the producer seeks to have the payment recalculated based on the physical location of the tract(s) on the farm, the payment would be \$4,250 as follows:

Farm Data

Tract	<u>Physical Location</u>	<u>Corn Base Acres</u>
1	County A	50.00
2	County B	50.00

County Payment Rates

County	Payment Rate
A *	\$20.00
B	\$80.00

* administrative county for FSN 1

Payment Calculation Using Current and New Policy

Tract	Current Policy	New Policy
1		$85\% * 50 * \$20 = \850
2		$85\% * 50 * \$80 = \$3,400$
Total	$85\% * 100 \text{ acres} * \$20 = \$1,700$	\$4,250

Example 2

FSN 1 is administratively located in County X. FSN is made up of two tracts. The payment based on administrative county was calculated at \$850 for wheat and \$850 for corn. If the producer seeks to have the payment recalculated based on the physical location of the tract(s), the data and calculation are shown below:

Farm Data

Tract	Physical Location	Base Acres
1	County X	50.00 – Wheat
2	County Y	50.00 – Wheat
		50.00 – Corn

County Payment Rates

County	Crop	Payment Rate
X *	Wheat	\$10.00
	Corn	\$20.00
Y	Wheat	\$5.00
	Corn	\$80.00

*administrative county for FSN 1

Crop and/or Location	Current Policy	New Policy
Wheat	$85\% * 100 \text{ acres} * \$10 = \$850$	
Corn	$85\% * 50 \text{ acres} * \$20 = \$850$	
County X Tract 1 Wheat		$85\% * 50 \text{ acres} * \$10 = \$425$
County Y Tract 2 Wheat		$85\% * 50 \text{ acres} * \$5 = \$213$
County Y Tract 2 Corn		$85\% * 50 \text{ acres} * \$80 = \$3,400$
Total Wheat	\$850	\$638
Total Corn	\$850	\$3,400

Note: If different producers control the wheat and corn base in this example, the producer with shares of the wheat would have to repay \$212 and the producer with the corn base would receive an additional \$2,550.