Understanding USDA Payment Programs for Sheep Producers

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Wool producers are now eligible to apply for either a nine-month nonrecourse marketing assistance loan or a Loan Deficiency Payment (LDP).

Under the new program, producers have until January 31, 2003 to request LDP’s for 2002-crop wool that has not been marketed and remains in storage. If LDP’s are not requested, producers have until 1/1/03 to request loans for the 2002-crop wool.

Each year thereafter, the period to request loans or LDP’s will extend until 1/31 of the year following the crop year that the wool is sheared.
Several special conditions also apply

⇒ The farm bill authorized LDP’s for the 2002-crop wool even though they had lost beneficial interest before the program was implemented.
⇒ Producers who sold their wool before 10/11/02, may apply for LDP’s through 1/1/03.

More special conditions

⇒ Producers who sold their wool after 10/11/02 but before 11/4/02 were notified that they could still apply for LDP’s through 12/6/02.
⇒ Producers who did not sell their wool before 11/4/02, must have had beneficial interest to be eligible for the payment on the date they applied.

⇒ Nonrecourse marketing assistance loans provide producers with interim financing on their production and facilitate the orderly marketing of the commodity throughout the year.
⇒ Instead of selling the wool immediately after shearing, a nonrecourse loan allows a producer to store the production, pledging the commodity itself as collateral.
The loan helps an eligible producer pay bills when they come due without having to sell the wool at a time of year when prices tend to be lower.

To be eligible for the loan or LDP, a producer must be in compliance with wetland and highly erodible land conservation requirements.

Ungraded wool offered as loan collateral will secure a loan made at a rate of 40 cents per pound.

The repayment amount, per pound, will be announced each Tuesday.

Instead of obtaining a loan, producers may request LDP’s, with the LDP rate being the difference between 40 cents per pound and the announced repayment amount applicable during the week.

Graded Wool

Special rules for graded wool.

Bigger payments for graded wool.

No place in Virginia to grade wool.

Grading must include a core test result.

A core test refers to a lab test where the diameter of the fiber is measured
2003 Wool Crop

▶ Although special provisions were in place in 2002, producers must maintain beneficial interest in the wool to receive program benefits in 2003 and subsequent marketing years.
▶ Remember producers are subject to the $75,000 payment limitations per crop year.

LMAAP

▶ Lamb Meat Adjustment Assistance program
▶ Four year program started in 2000 to help stabilize the lamb market.
▶ Program cost $67.7 million.
▶ Program helps producers compete with foreign competition in the marketplace.
▶ Producer must be in compliance with sodbuster and swambuster provisions.

Three parts of LMAAP

▶ 1) Ewe lamb incentive program
▶ 2) Feeder lamb payments
▶ 3) Slaughter lamb payments
Ewe lamb incentive program

- Paid $18 per head in 2002.
- Payment expected to be about the same in 2003.
- Will be paid on the number of ewe lambs retained during the period of 8/1/2002 through 7/31/2003.
- You must sign up by 8/15/2003.

Feeder lamb payments

- Feeder lambs must be marketed after 3/2/2002
- Must be owned from birth through marketing
- Pays $3 per head.

Slaughter lamb payments

- Pays $8 per head
- Must be marketed from 6/1 through 7/31
- In order to receive payment, slaughter lamb carcasses must be certified by an AMS agent.
- Carcass data must be collected.
Other 2002 Farmbill Provisions

- CREP - Conservation Reserve Enhancement Program
- For fencing livestock out of streams.
- 10-15 year period.
- Must plant trees and exclude livestock.
- Will cost share and pay annual rental payment.
- Annual rental payment is approximately $70.

Other 2002 Farmbill Provisions

- EQIP - Environmental Quality Incentive Program.
- Similar to CREP.
- You don’t plant trees.
- Cost share payment.
- No annual rental payment.

If you have questions.....

- Contact your local Farm Service Agency (FSA office)