



# NEWSLETTER



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## Guaranteed Lender News – Kansas 23<sup>rd</sup> Edition – Fall 2011

### Maximum Loan Authorities Effective 10/1/2011



The annual increase to the guaranteed loan limits as outlined in 2-FLP Paragraph 244 A stating that the dollar limit of guaranteed loans is adjusted annually based on the percentage change in the Prices Paid by Farmers Index has been announced.

**The new guaranteed loan limit will be \$1,214,000, for loans approved on or after 10/1/11.**

Total combined outstanding Direct and Guaranteed Farm Ownership (FO), Operating Loan (OL) & Soil and Water (SW) balances cannot exceed \$1,514,000 and if there is an Emergency Loan (EM) involved, combined balances cannot exceed \$2,014,000.

### Guarantee Fees to Increase from 1% to 1.5%

In the fall of 2006, congressional members began tossing around a .5 to 1% guarantee fee increase for FSA guaranteed loans.

We have received word that effective Fiscal Year 2012 (**October 1, 2011**), FSA will collect a non-refundable 1.5% fee of the guaranteed loan amount. This is the first increase in the fee since the inception of the guaranteed loan program 37 years ago when the agency first started making guaranteed economic emergency and livestock emergency loans. In 1980 is when the programs now used (OL, LOC and FO) were added and the emergency type loans removed.

If you would like to read the rule change to the CFR, it can be found on FSA's website:  
<http://www.fsa.usda.gov/FSA/federalNotices?area=home&subject=lare&topic=frd-ii>  
The comment period runs through November 21, 2011.

Guaranteed fees are collected from the lender but may be passed on to the applicant. Certain loan situations are exempt from collecting a fee and are found in 2-FLP Handbook at Paragraph 247 A.

Guaranteed loan transactions that are not charged a fee are:

- ✓ Loans with Interest Assistance
- ✓ Loans where the majority of the funds are used to refinance FSA direct loan debt
- ✓ Loans to farmers involved in the direct downpayment program



**Annual Lender Training**



Dates for annual lender training are unknown as of this newsletter writing; however, as we begin planning we want to let you know that training will be provided via FSA Webinar, much like the 2010 webinar. There will not be on-site training this fall.

*More information will be provided at a later date; however, we are asking for your input on what topics you'd like for FSA to cover during the webinar event.*

All lenders, regardless of lender status, are invited and encouraged to tune into FSA Webinars. PLP and CLP must attend annual training to maintain lender status.

**Electronic Documents vs. Original Documents**

Many lenders are moving towards electronic retention of borrower documents, often referred to as the cloud environment. FSA cannot dictate to you what documents to retain that are generated from the bank; however, we often get asked “do we need to retain the original Loan Guarantee issued by FSA?”

We have received guidance from the National Office regarding what the lender should retain from FSA that was provided to you in an original format. As long as those original documents have been scanned, retained as an electronic record and are available to be printed, marked paid in full or satisfied, and returned to FSA upon request, we do not have a problem with the lender shredding the original document as it pertains to the lender’s regulations and advice from their legal counsel.

**Funding at a Glance**

The numbers below represent loans funded through **September 16, 2011**, and the last column is for the previous fiscal year, which ended September 30, 2010.

Program	Funds used as of 09/16/11	Number of Loans Funded	Compared to FY 2010
Guaranteed Operating - Unsubsidized	\$26,528,080	143	177
Guaranteed Operating-Interest Assistance	\$2,670,790	17	31
Direct Operating	\$41,387,267	630	676
Guaranteed Farm Ownership	\$24,429,788	87	92
Direct Farm Ownership	\$33,392,040	252	311
Conservation Loans	\$196,600	4	8
Emergency Loans	\$0	0	1

## *Funding at a Glance (Continued):*

Note that the chart *includes* Conservation Loans which FSA rolled out in August 2010; however, due to the agency’s shortfall of funding; the Direct and Guaranteed Conservation Loan authorities expired on April 13, 2011.

At the current time we do not know what our funding levels will be for FY 2012, which begins on October 1, 2011. The White House has proposed that our loan program be funded at the same level as FY 2011. The House has passed a budget bill in line with the White House request, albeit until the Senate takes action on the budget bill we will not know where we stand for dollars available to loan. We will keep lenders apprised of the funding situation via email. As of September 16, 2011, we were able to fund several Direct FO’s (42 = \$6,091,140). Unfortunately, we do still have a waiting list and in Kansas we have the following loan numbers/dollars represent that list:

<i>Loan Type</i>	<i># of Applicants</i>	<i>\$Amount on Waiting List</i>
D-FO-NBF	33	\$4,724,020.00
D-FO-BF	20	\$3,586,650.00
D-FO-BF Downpayment	21	\$2,464,870.00
D-OL-NBF	1	\$225,000.00
D-OL-BF		
	75	\$11,000,540.00

Currently we do not have any guaranteed loan requests on a waiting list. As represented above “D” stands for the **Direct** program with high numbers in loans approved but waiting for funds to be made available in the Farm Ownership (FO) program, both beginning farmer (BF) and non-beginning farmer (NBF).

## Greener USDA – FSA



Due to budget constraints, Kansas Farm Service Agency is now more accessible on the web. Please visit us at [www.fsa.usda.gov/ks](http://www.fsa.usda.gov/ks) for all program news.

If you would like to receive Kansas guaranteed loan updates as well as updated FSA crop and livestock planning prices, please email [shelly.wolf@ks.usda.gov](mailto:shelly.wolf@ks.usda.gov) and you will be placed on the email list.

If you would like to receive Kansas FSA general program updates (i.e. CRP, DCP, SURE, etc), please email Trish Halstead, Outreach Coordinator ([trish.halstead@ks.usda.gov](mailto:trish.halstead@ks.usda.gov)) to be placed on a mailing list.

## FSA Farm and Ranch 2012 Planning Guide

Use of the attached prices set by FSA is optional; however, sources must be documented by the lender and acceptable to the Agency. Additional information regarding prices used in cash flow budgets need to be discussed with your local FSA FLP loan approval official.



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**FARM SERVICE AGENCY FARM AND RANCH 2012 PLANNING GUIDE**

The prices included in this Exhibit are to be used in completing 2012 Cash Flows. These prices are established for term loans. If you are making an annual loan only, it is allowable to use contracted prices, but only on the amount of grain under contract and the file needs to contain documentation to support prices. These prices were obtained by consultation with other agriculture lenders, agricultural agencies and other FSA State Offices.

Cash Flows should include FSA program payments, if the operator is participating in government programs. The payments need to be described by the type of government program (i.e. CRP, DCP). If the payment amounts are available from the FSA Program Division staff, then obtain the payment documents and place the information in the file. If the payment information is not available from FP staff, then we need to work with the customer to obtain projections on the payment amounts. **NOTE:** The planning prices in this notice have been established based on the counter-cyclical payment and loan deficiency payment being included in the planning price.

2012 Crop and Livestock Prices:

Wheat-bu. ....	\$ 6.75	Cotton-lb.....	\$ 1.00
Milo-bu.....	\$ 5.20	Cows-cwt.....	\$ 57.00
Corn-bu.....	\$ 5.50	450# Calves-cwt. (Blended Price) ..	\$125.00
Soybeans-bu. ....	\$ 10.75	750# Calves-cwt. (Blended Price) ..	\$114.00
Oats-bu. ....	\$ 2.80	Fat Cattle-cwt.....	\$ 100.00
Pinto Beans-cwt.....	\$ 29.00	Sows-cwt.....	\$ 40.00
Sunflowers (oil)-cwt.....	\$ 24.00	Feeder Pigs(50-60 lbs.).....	\$ 50.00/hd
Sunflowers (confection)-cwt. ....	\$ 26.00	Market Hogs-cwt. (live).....	\$ 65.00
Alfalfa-ton .....	\$ 100.00	Cull Ewes & Rams.-lb .....	\$ 0.35
Other Hay-ton.....	\$ 60.00	Market Lambs-lb.....	\$ 1.00
Corn Silage-ton.....	\$ 50.00	Grade A Milk-cwt. ....	\$ 16.50
Other Silage-ton.....	\$44.00		

The prices listed above for livestock are projected for cow/calf and farrowing operations. For example, since a cow/calf operation would normally include steers and heifers to be sold, the price of \$1.25 per pound for 450# calves is blended to cover all calves to be sold at that weight. These prices are not to be used when calves or pigs have been purchased or are being purchased for resale at heavier weights. In those cases, the actual or projected purchase price should be used for the livestock to be bought. When the livestock are sold, the projected price will be based on the appropriate futures market (less basis), contract prices, adjusting current cash prices, etc. The justification for price variance must be documented in the case file. With livestock, as with other commodities, if the individual can provide reliable evidence that a premium price will be received, the higher prices will be allowed in the plan.

In regard to a commodity that notoriously is of less quality, the price will be lower than the prices stated above, and needs to be adjusted (i.e., premium alfalfa v. grinding alfalfa).

Typical price spreads for steers and heifers will be used. The price difference between steers and heifers is generally greater at lighter weights with the gap narrowing as the cattle reach the fat cattle weight. When steers and heifers are to be purchased and sold, the cash flow is to list steers and heifers separately.

Prices for Specialty Commodities (i.e Elk, Deer, Etc.) will be determined by contracts the applicants have with the buyers of the products.

**All lenders must use price forecasts that are reasonable and defensible.** PLP Lenders will follow their CMS Agreement of price projections. Use of these prices set by FSA is optional; however, sources must be documented by the lender and acceptable to the Agency. The lender may use price forecasts from land grant universities, other published prices, forward contracted prices, futures, or price histories of specialty crops on other commodities. The lender should use price forecasts that provide an accurate projection of commodity prices that the borrower will receive.