

SECTION 1614 DATABASE Q & A

Q1. What is the Section 1614 Database and what is its purpose?

- A1.** Section 1614 of the Farm Security and Rural Investment Act of 2002 (2002 Act) requires the Secretary of Agriculture to “establish procedures to track the benefits provided, directly or indirectly, to individuals or entities under titles I and II...” of the 2002 Act. For the first time, benefits to entities can now be tracked to the ultimate beneficiaries or natural bodies.

For purposes of this statute, a benefit is defined as a payment issued to an individual directly or attributed indirectly to an individual through an entity. An entity is a beneficiary other than an individual, such as a corporation, trust, estate, or charitable organization. The term beneficiary refers to both individuals and entities. An ultimate beneficiary (see Question 4 below) refers to an individual deemed to be the ultimate recipient of the benefit and should not be confused with the statutory definition of a “person” which could mean an individual, corporation or other such entity.

Q2. What types of benefits are provided through titles I and II of the 2002 Act that are recorded in the Section 1614 Database?

Title I and II benefits include:

Title I

- Direct payments
- Counter-cyclical payments
- Commodity loan program benefits
 - Loan deficiency payments (LDPs)
 - Marketing loan gains (MLGs)
 - Certificate exchange gains (CEGs)
 - Storage credits (upland cotton and peanuts only)
 - Peanut load-in charges
- Hard white wheat incentive payments
- Peanut quota buy-out payments
- Milk Income Loss Contract (MILC) payments
- Milk income loss transition payments
- User Marketing Certificate Program (Cotton Step II)
- ELS Competitiveness Payment Program

Title II

- Conservation Security Program (CSP) payments
- Conservation Reserve Program (CRP) payments
- Wetlands Reserve Program (WRP) payments
- Environmental Quality Incentive Program (EQIP) payments
- Grassland Reserve program payments
- Agricultural Management Assistance payments

Wildlife Habitat Incentive Program (WHIP) payments

The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) created the database by compiling records from a number of sources, including FSA, the Commodity Credit Corporation (CCC), the Natural Resources Conservation Service (NRCS), and cooperative marketing associations (CMAs), loan servicing agents (LSAs), and designated marketing associations (DMAs) (the last three known collectively hereafter as "co-ops"). In general, the data consist of title I and II benefits issued from October 1, 2002 through June 30, 2006, that were made directly to or attributed indirectly to individuals and entities. Benefits issued to entities have been allocated to their "ultimate beneficiaries."

Q3. What information is contained in the 1614 Database?

A3. The Section 1614 Database contains names, surrogate tax IDs, and addresses for the parent entity beneficiary and the "ultimate beneficiaries," entity business types, member benefit shares, the administrative county office code, the program/transaction identifier, the transaction amount (for both the entity and the amount attributed to the ultimate beneficiary), the transaction date, the commodity code (as applicable), and the program and fiscal years.

Q4. Does the Section 1614 Database contain information from co-ops?

A4. Yes. All co-ops were required to submit to FSA the allocation of the applicable commodity loan program benefits to their respective members. What may have been reported in previously released FOIA data as a very large payment to a co-op (serving as a quasi-agent of FSA), will now be disaggregated into all of the members' (shares) benefits for each specific program in which the individual co-op member participated.

Q5. What is an "ultimate beneficiary?"

A5. An ultimate beneficiary is described specifically for purposes of the Section 1614 Database. To be eligible for benefits for CCC programs for which payment limitations apply, each entity must specify its members and their respective shares of the entity. In turn, one or more members of an entity may also be comprised of members which are entities. Such entities are referred to as "embedded entities," and the members and their respective embedded-entity shares must also be reported. At the fifth level of this disaggregation, CCC requires that the members be human individuals, with the exception that an entity at any level may not have to reveal its component members under certain conditions (i.e., because it may be a large publicly-traded corporation, a religious institution (church, synagogue, or mosque), a charitable organization, the Bureau of Indian Affairs, a Native American tribe, or State or local government. An ultimate beneficiary is either a human individual or a non-disaggregated entity that is identified at any point in this 5-level disaggregation.

Q6. Can a user identify ultimate beneficiaries and all of the net benefits they received?

A6. Yes. In working with 1614, users are provided two primary tables. One table contains unique surrogate identification numbers (ID) with benefit amounts and the other contains the surrogate ID with its corresponding name and address information. Users may sum net benefits by the surrogate ID in one file and then match that ID and benefit amount to the name and address in the other file.

Q7: Have all the individuals contained in the 1614 Database received payments?

A7: No. Actual payments in 1614 were issued to the parent entity, and the member's payment amount is what was calculated to be the (direct or indirect) benefit that the ultimate beneficiary would be entitled to receive based on the entity's reporting of ownership shares. FSA has no way of knowing whether an entity receiving payments for a given program actually distributed the proceeds to its component members.

Q8. Can USDA use the Section 1614 Database to enforce potential payment limitation violations?

A8. No. USDA already has mechanisms to enforce existing, statutorily-mandated payment limitations for those benefits for which such limits apply.

Q9. If USDA has payment limitation mechanisms in place, should we expect that the database will show no one having received more than the statutorily-mandated payment limitations?

A9. Users need to be very careful to avoid concluding that a payment limitation violation has occurred if they discover that an individual received more than an applicable payment limit amount. The "User's Guide to the Section 1614 Database" outlines the multitude of rules in place which affect how much an ultimate beneficiary may receive. Among these are the 3-entity rule, the separate sets of direct payment limitations for "covered commodities" and for peanuts, and the commodity certificate exchange process, to name a few.

Q10. Will the Section 1614 Database enable USDA to enforce payment limitations associated with so-called "direct attribution" if such changes were to be enacted in the upcoming farm bill?

A10. No. The Section 1614 Database can best be characterized as a research and reporting tool; it is not a payment limitation enforcement mechanism. Current payment limitations are considered and enforced **prior** to disbursement of a payment, given current business rules and FSA's hardware and software configuration. It is expected that potential changes in payment limitations would be administered similarly, i.e., prior to disbursement. Conversely, the Section 1614 Database is a compilation of benefits attributed to individuals **after** eligibility requirements have been satisfied, payment limitations have been enforced, and the benefits

disbursed to beneficiaries. The Section 1614 Database is not a “system of record” directly tied to actual payments and other benefits.

Q11. What time period is covered in 1614?

A11. The initial release of the Section 1614 Database covers all title I and II benefits for the period, October 1, 2002, through June 30, 2006. Since the data collection began at the beginning of FY 2003, and earlier crop years may have actually been paid in FY 2003, pre-2002 program payments can be found in the Database. Furthermore, because of the differences between different crop years for some commodities, a complete picture of USDA activity for a given crop year, will not be complete. Since the data capture did not start until the middle of 2002 crop year, data for crop year 2002 may not be complete. Similarly, data for crop years 2005 and 2006 may not be complete because not all benefits have been issued. FSA, in cooperation with NRCS, will supplement the initial release of the Section 1614 Database with periodic updates.

Q12: How is the Permitted Entity File used in conjunction with section 1614 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill)?

A12: The Permitted Entity File is one of the key building blocks used in calculating net benefit allocations for the Section 1614 Database. Combining the Permitted Entity File with multiple payment databases allows program benefits (not actual payments) to be attributed to ultimate beneficiaries for the first time. The payment to the parent entity is attributed to the non-embedded members of the parent entity in accordance with the payment shares contained in the Permitted Entity File member table.

Q13: How is the Section 1614 Database created?

A13: The information for the Section 1614 Database originates in each of the 2,351 local FSA County Offices located throughout the country. Because of the distributed method by which FSA conducts its business, each FSA County Office must maintain its own set of business records for those customers in its geographical region, but payment information is centralized. Payment records are also received from NRCS and co-ops.

There are more than 100 different CCC programs currently administered by FSA, not all of which are title I and II programs. The combination of all of these county files, for the payments side of the ledger for example, totals more than 200 million transaction records, from which the essential information for 1614 was extracted.

Q14: How is the 1614 Database structured?

A14: The 1614 Database is arranged in a flat structure, with redundant entity payment information reported for each ultimate beneficiary. While the Permitted Entity File resembles a “family tree,” 1614 only reports the top level entry (known as the “parent” entity) and the ultimate beneficiary (the branch tips of the family tree).

Entries below the top level can have “embedded” entities, but those will have been broken out into the ultimate beneficiaries in 1614.

Q15: What happens if an entity or an individual in the 1614 Database is missing information?

A15: The FSA County Office checks every entity record prior to approving payments. Entities are required by statute to file a new Form 502 with their FSA County Office if there are any changes in the composition of entity members (valid tax identification numbers of producers are required). If there is insufficient information provided by the entity, it will not receive a payment. In some instances, because the information for 1614 was built after the payment had been issued; the composition of the entity could have changed between the time of the payment and when the structure of the entity was recorded. As a result, payments could have been allocated to persons in 1614 who were not members of an entity at the time.

Q16: What if I am getting a different answer for the total amount of benefits from 1614 compared to another reported source?

A16: Payment and benefit adjustments for prior program years can occur at nearly any time, so it is necessary to calculate net payments from the numerous transactions over time for a given producer.

Agencies and budget statistics can report data in several different time periods (crop or program year, fiscal year, or calendar year), which can add confusion about which total expenditure figure is most accurate. The flexibility of the 1614 database allows users to calculate those different totals based on state, crop, program and transaction date.

Q17: How will the Section 1614 Database be made available?

A17: The files of Section 1614 are provided to requestors in raw text files in 2 formats (name/address and transaction detail). The transaction detail files are split into quarterly calendar files to make the volume of data more manageable. All of this information fits on a single DVD.

After the existing FOIA requests have been satisfied by sending the data on a DVD, with the accompanying 1614 Users Guide and supporting reference files, any new requests in writing will receive a copy of the data disk. There is simply too much information to provide through an online web resource, and there are no

plans to create a public-facing website to make it more readily-available to the general public.

Q16: How easy is it to use the information contained in the 1614 Database?

A16: The huge volume of data precludes use of a standard desktop PC to analyze the full body of information, and not using the full data set can produce inaccurate results because payment adjustments from prior years must be taken into account when calculating net benefits.