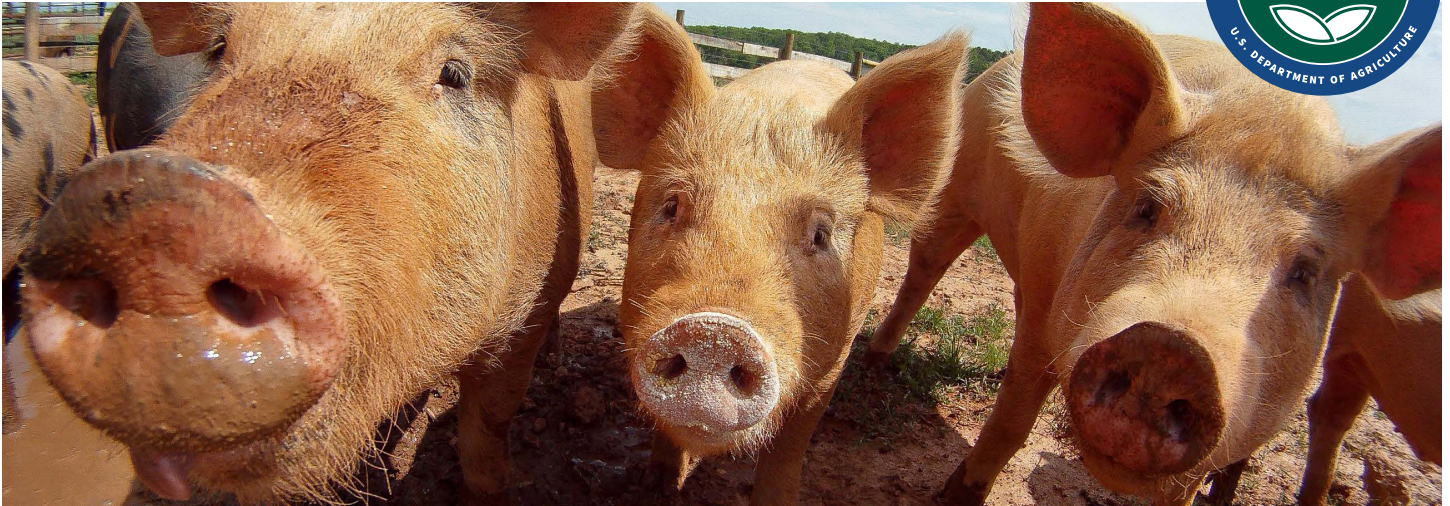


SPOT MARKET HOG PANDEMIC PROGRAM



Overview

The Spot Market Hog Pandemic Program (SMHPP) provides assistance to producers who sold hogs through a spot market sale from April 16, 2020, through Sept. 1, 2020, the period in which these producers faced the greatest reduction in market prices due to the COVID-19 pandemic.

The Farm Service Agency (FSA) is accepting applications for SMHPP from Dec. 15, 2021, to April 29, 2022.

Who is Eligible

To be eligible for payments, producers (persons or legal entities) must:

- Have had ownership associated with the agricultural production of eligible hogs sold through a spot market sale;
- Comply with the provisions of the “Highly Erodible Land and Wetland Conservation” regulations, often called the conservation compliance provisions;
- Not have a controlled substance violation;
- Be a citizen of the United States or a resident alien; and
- Submit a complete SMHPP application form and provide all required documentation as specified.

To be eligible for payments, a person or legal entity must have an average adjusted gross income (AGI) of less than \$900,000 for tax years 2016, 2017, and 2018. However, if a person or legal entity whose average AGI for 2016, 2017, and 2018 exceeds \$900,000 but whose 2020 AGI is \$900,000 or less must submit form FSA-1123 and provide a certification from a licensed CPA or attorney affirming the person’s or legal entity’s 2020 AGI is not more than \$900,000.

With respect to joint ventures and general partnerships, this AGI provision will be applied to members of the joint venture and general partnership. AGI provisions are applicable to members of a legal entity, including a general partnership or joint venture who are at or above the fourth tier of ownership in the business structure. If producer fails to provide FSA-1123 then the eligible livestock owner’s payment will be reduced by the portion of a payment attributed to a member who exceeds the \$900,000 AGI limitation or is otherwise ineligible for payment.

Contract growers, packers (this includes brokers), producers for hog purchases through any other purchase types including other market formula, swine or pork market formula, and packer-owned, are not eligible for SMHPP. Additionally, Federal, State, and local governments, including public schools, are ineligible for SMHPP.

Eligible Hog Sales

Eligible hogs include those sold through a spot market sale by producers between April 16, 2020, and Sept. 1, 2020. USDA identified negotiated hogs as a sector of the agricultural industry significantly impacted by the pandemic that had not been adequately addressed by previous pandemic relief programs and experienced the greatest market price impacts out of all hog purchase types. In addition, when the COVID-19 pandemic disrupted normal marketing channels, including access to packers, producers sold their hogs through cash sales to local processors or butchers, direct sales to individuals, and third-party intermediaries which, may include, but are not limited to, sale barns or brokers. The use of third-party intermediaries was the only available marketing alternative for many producers and the use of these sales avenues rather than depopulation.

The hogs must have been suitable and intended for slaughter and physically located in the United States or a territory of the United States at the time of sale and advertised or offered as ready for slaughter.

Spot market sale mean hogs marketed for slaughter to an individual or through a negotiated sale or through an intermediary who interacts with the buyer on behalf of the seller, which may include, but is not limited to, sale barns, brokers, or other intermediaries as determined by FSA.

Negotiated sale means a sale by a producer of hogs to a packer under which the base price for the hogs is determined by seller-buyer interaction and agreement on a delivery day. The hogs are scheduled for delivery to the packer not more than 14 days after the date on which the hogs are committed to the packer. A negotiated formula sale is also considered a negotiated sale.

Negotiated formula sale means a hog or pork market formula sale under which:

1. The formula is determined by negotiation on a lot-by-lot basis; and
2. The hogs are scheduled for delivery to the packer not later than 14 days after the date on which the formula is negotiated and the hogs are committed to the packer,

Hogs are adult swine of an appropriate size and condition for slaughter as evidenced by sale and acceptance for slaughter, if determined to be

reasonable for the size for slaughter for the area from April 16, 2020, through September 1, 2020, by the applicable FSA county committee.

Ineligible Hog Sales

Ineligible hog sales include:

1. Any other types of sales identified by the AMS Livestock Mandatory Reporting (LMR), including:
 - ♦ Formulas linked to futures or formulas based on the cutout based on the wholesale meat prices, such as other market formula and swine or pork market formula, and
 - ♦ Packer-owned swine.
2. Contracts that include a premium above the spot market price, such as VMR as the base price are established by a long term formula and not through negotiation; and
3. Sales of either pigs or hogs that are marketed for purposes other than slaughter, such as for breeding stock or to grow out. This includes cull hogs which are considered breeding stock and may be taken to slaughter as a secondary use.

How to Apply

Eligible hog producers apply for SMHPP by completing the FSA-940, Spot Market Hog Pandemic Program application and submitting it to any FSA county office. A complete application includes all of the following:

- FSA-940, Spot Market Hog Pandemic Program (SMHPP) Application
- AD-2047, Customer Data Worksheet, for new customers or existing customers who need to update their customer profile
- CCC-902, Farm Operating Plan for an individual or legal entity
- CCC-901, Member Information for Legal Entities (if applicable)
- AD-1026, Highly Erodible Land Conservation (HELCO) and Wetland Conservation (WC) Certification
- CCC-941, Average Adjusted Gross Income (AGI) Certification and Consent to Disclosure of Tax Information
- FSA-1123, Certification of 2020 Adjusted Gross Income (if applicable)



Supporting Documentation

All producers must provide supporting documentation to substantiate the number of hogs reported on the application that were sold through a spot market sale and how the price was determined for the sale. Supporting documentation must be verifiable or reliable.

The following table is provided to assist program applicants with determining what types of sales are considered a negotiated sale and identify the types of verifiable or reliable supporting documentation that must be provided to FSA based on the type of sale.

If the sale is to a...	Then the documentation must include...
<p>Packer who reports to Livestock Mandatory Reporting (LMR)</p> <p>Note: This includes sales where the brokers interact on behalf of the seller. Brokers do not have ownership of the hogs.</p>	<p>Packer(s) documents reflecting purchase type codes. Eligible codes for SMHPP are:</p> <p>LMR Code 1 (negotiated)</p> <p>LMR Code 10 (negotiated formula)</p> <p>Notes: Packers must provide documentation to the producer and include either the purchase type code from LMR or how the base price was determined and the number of days for delivery if the LMR code is not identified for the sale on existing documentation.</p> <p>Types of sales identified by other LMR codes, such as, formulas linked to futures or formulas based on the cutout based on the wholesale meat prices are NOT considered a negotiated sale.</p>
<p>Small packer or meat processor (locker)</p> <p>Note: This includes sales where the brokers interact on behalf of the seller. Brokers do not have ownership of the hogs.</p>	<p>Receipt for sale with number of hogs and price.</p> <p>Explanation of how the base price was determined between the seller (producer) and buyer.</p> <p>Notes: The formulas linked to futures or formulas based on the cutout based on the wholesale meat prices are NOT considered a negotiated sale.</p> <p>If a verbal agreement, the producer will need to provide a written statement from the small packer or meat processor to certify* to the eligible hog sales and how the base price was determined for the sale.</p>
<p>Individual</p> <p>Note: This includes sales to brokers that take ownership of the hogs.</p>	<p>Receipt for sale with number of hogs and price.</p>
<p>Sale Barn/Livestock Auctions</p>	<p>Sale barn or livestock auction receipt of sale with number of hogs and price.</p>

* Certification must be verifiable or reliable as determined acceptable by the FSA County Committee.

* Brokers are not eligible for SMHPP

Where to File Your Application

FSA staff at your local USDA Service Center will work with you to file your applications. Applications may be submitted by mail, fax, hand delivery, or via electronic means. Please call your Service Center prior to sending applications electronically for instructions and assistance. THE SMHPP application and associated forms are available online at farmers.gov/smhpp.

Payment Calculation

FSA will begin issuing payments once the application period ends. If calculated payments exceed the amount of available funding, payments will be factored.

SMHPP payments compensate eligible hog producers for the financial losses for hogs sold through a negotiated sale from April 16, 2020, through Sept. 1, 2020. To simplify administration of SMHPP, FSA has determined a single payment rate of \$54 per head.

SMHPP payments will be calculated by multiplying the number of head of eligible hogs, not to exceed 10,000 head, by the payment rate per head of \$54. There is no per person or legal entity payment limitation on SMHPP payments.

Who to Call for Help

Producers interested in one-on-one support with the SMHPP application can contact our call center at **877-508-8364** to speak directly with a USDA employee ready to offer assistance.

For More Information

This fact sheet is for informational purposes only; other restrictions may apply. For more information about SMHPP, visit farmers.gov/smhpp or contact your local FSA office. To find your local FSA office, visit farmers.gov/service-locator.