



Commodity Certificates

Background

In October 1999, Congress amended the 1996 Farm Bill to include provisions for the issuance of commodity certificates. These negotiable certificates, which the Commodity Credit Corporation (CCC) shall exchange for marketing assistance loan collateral, will minimize loan forfeitures and accumulation of stocks by the Government and allow commodities to be marketed more freely and competitively.

Purpose and Availability of Certificates

The use of commodity certificates encourages producers (or producer's agent) to purchase commodity certificates to be exchanged for outstanding loan collateral rather than forfeit the loan collateral to CCC at loan maturity. Commodity certificates are available to producers to use in acquiring marketing assistance loan commodities pledged to CCC for a commodity loan. Commodity certificate exchanges are available for sale at USDA's Farm Service Agency (FSA) offices to producers with outstanding nonrecourse marketing assistance loans made for wheat, rice, feed grains, pulse crops (dry peas, lentils and small chickpeas), peanuts, wool, mohair, upland cotton, soybeans, and designated minor oilseeds.

Exchange Rate

The exchange rate will be the effective adjusted world price for rice or upland cotton or the posted county prices (PCP), as applicable, for other commodities on the date the commodity certificate is purchased. Commodity certificate exchanges will not be available when the exchange rate exceeds the applicable loan rate. These exchanges may only be processed by the FSA office that originated the loan.

Example

If a corn producer has pledged the farm's 2003 production as collateral for a marketing assistance loan and is now facing the likelihood of forfeiting to CCC the collateral under loan, the producer may purchase a commodity certificate valued up to an amount determined by multiplying the quantity of corn still under loan, times the local PCP. The producer then immediately exchanges the purchased commodity certificate for the loan collateral.

Eligible Producers

Eligible producers must:

- have an outstanding commodity loan that has not matured
- immediately exchange commodity certificates for loan collateral
- Commodity certificates cannot

be exchanged for outstanding loan commodities covered under a locked in repayment agreement, CCC-697, "Request to Lock in a Repayment Rate" form.

Limitations

Commodity certificates are being issued for immediate exchange for outstanding loan collateral only. They may not be used as payment for other CCC obligations, such as loan deficiency payments, Agricultural Marketing Transition Act payments, or any other obligation. Commodity certificate exchanges may not be exchanged for CCC-owned inventory.

Expiration

The commodity certificate will only be valid for immediate use and will expire immediately upon the exchange of the certificate for the commodity.

Additional information can be found on FSA's website at: www.fsa.usda.gov or at local USDA Service Centers or Farm Service Agency offices.

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