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Department of
Agriculture

FARM SERVICE AGENCY

Montana State
Producer Handbook

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Fact Sheet

Farm Storage Facility Loan Program – According to the 2008 Farm Bill

Background

Under the Commodity Credit Corporation (CCC) Charter Act, USDA may make loans to producers to build or upgrade farm storage and handling facilities. USDA's Farm Service Agency (FSA) administers the Farm Storage Facility Loan Program. The 2008 Farm Bill included additional provisions to the Farm Storage Facility Loan Program.

Facility Loan Commodities

Commodities covered under this storage program are feed grains, harvested as whole grain or other than whole grain including: barley, corn, grain sorghum, oats and wheat; fruit and vegetables including nuts; hay; oilseeds including: canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame seed, soybeans, and sunflowers seeds; pulse crops including: chickpeas, dry peas, and lentils; renewable biomass.
Hay is defined as: a grass or legume that has been cut and stored, and includes brome, costal Bermuda, fescue grass, orchard grass, rye grass, timothy grass, other native grass species prevalent in the region, forage legumes such as alfalfa and clover. Grain legumes for hay are also included, and are defined as hay where the entire plant, including the seeds, is harvested at maturity and used for animal feed. Examples of grain legumes are lentils, peas and soybeans.
Renewable Biomass is defined as: any organic matter that is available on a renewable or recurring basis used for the production of energy in the form of heat, electricity, and liquid, solid or gaseous fuels. Renewable biomass includes: algae, crop residue such as corn stover, orchard prunings, various straws and hulls; plants and trees excluding old growth timber; feed grains, soybeans, switch grass, wood waste, wood residues, food waste, yard waste.
A list of eligible fruit and vegetables is available at the local FSA county office or on the Montana FSA website at http://www.fsa.usda.gov/mt.
NOTE: *Manure from any source is not included.*

Borrower Requirements

To be eligible for a Farm Storage Facility Loan, the borrower must:

- Be a producer of a facility loan commodity;
- Demonstrate a need for increased storage;
- Provide proof of multi-peril crop insurance or Non-insured Crop Insurance (NAP) coverage on all commodities stored in the Farm Storage Facility loan funded facility, whether the commodity is of economic significance or **not.** Multi-peril or NAP coverage must be on all insurable facility loan commodities of economic significance on all farms operated by the borrower in the county where the storage facility is located.
- Show the ability to repay the loan through the financial analysis process;
- Be in compliance with USDA provisions for highly erodible land and wetlands;
- Demonstrates compliance with any applicable local zoning, land use, and building codes for the applicable farm storage facility structures;
- Provide proof of all peril structural insurance to CCC annually (that lists CCC as a loss payee) and proof of flood insurance if CCC determines such insurance is necessary to protect the interests of CCC;
- Demonstrates compliance with the National Environmental Policy Act regulations, and;
- Not have been convicted under Federal or State law of a disqualifying controlled substance violation.

NOTE: The entity or person rule **no** longer applies.

Eligible Storage or Handling Equipment

Loans may be made only for the purchase and installation of eligible storage facilities, permanently affixed drying or handling equipment, or remodeling existing facilities.

Eligible facilities and equipment include:

- New conventional-type cribs or bins designed and engineered for whole grain storage and having a useful life of at least 15 years;
- New oxygen limiting and other upright silo-type structures designed for whole grain storage or other than whole

grain wet storage having a useful life of at least 15 years;
- Re-manufactured oxygen-limiting storage structures built to original manufacturer's design specifications using original manufacturer's rebuild kits having a useful life of at least 15 years;
- New structures that are upright, bunker-type, horizontal, or open silo structures with at least 2 concrete walls and a concrete floor, designed for whole grain storage or other than whole grain storage having a useful life of at least 15 years;
- New permanently affixed grain handling equipment and grain drying equipment determined by FSA to be needed and essential to the proper functioning of a grain storage system, with or without a loan for storage structures;
- Existing storage renovated according to FSA regulations without an increase in storage capacity;
- New electrical equipment, such as lighting and motors integral to the proper operation of grain storage and handling equipment, excluding the installation of electrical service to the electrical meter;
- New equipment to improve, maintain or monitor the quality of stored grain;
- Safety equipment as required by CCC; and
- New flat-type storage structures, including a permanent concrete floor and bulkheads, designed for and primarily used to store whole grain for the term of the loan.
- New cold storage facility of wood pole and post construction, steel, or concrete, suitable for storing fruit and vegetables produced by the borrower.
- New walk-in prefabricated permanently installed cold storage coolers that are suitable for storing the producer's fruit and vegetables.

Ineligible Structures

Storage structures for commercial purposes (the storage of grain for others, whether paid or unpaid) are ineligible for loans, as are portable handling or drying equipment and portable or permanent weigh scales.

How to Apply

The applicant must:

- Complete all items on form CCC-185 (Loan Application and Approval for Farm Storage and Drying Equipment Loan Program);
- Pay a non-refundable application fee of $100.00 per producer per loan to the local county FSA office;
- Provide copies of contracts, project cost breakdown, copies of site plans or estimates for all proposed work;
- Provide form FSA 440-32 (Financial Statement);
- Provide proof of Multi-peril crop insurance;
- Provide legal description of parcel (s) of land to be offered as security and legal description of land where facility will be placed;
- File CCC-10 (Representations for Commodity Credit Corporation or Farm Service Agency Loans and Authorization to File a Financing Statement and Related Documents).
- Borrowers are required to submit a building plan to the local FSA county office for any hay or renewable biomass storage structure requested for a Farm Storage Facility Loan. The building plan does not have to be professionally prepared, but must include: 1) type of structure or building design; 2) exact size and shape of proposed facility; 3) access; 4) details of site preparation; 5) base materials. Detailed building plans for ay and many of the renewable biomass storage structures are available from the extension service.

FSA will conduct an Environmental & Historical Evaluation **before** the work begins.

Applicant Responsibilities

County Committees may approve delivery of storage structure parts, site preparation, and foundation construction before the loan is approved; however, NOT before the environmental evaluation is completed. Upon approval for a storage loan, applicants are given 4 months to complete construction and to submit cost documentation so FSA can compute the final loan amount. Under certain circumstances, an extension of the 4-month loan approval period may be granted.

Loans cannot be disbursed until construction is complete, applicants provide final cost documentation, final net cost is determined, and the facility is inspected by FSA.

Loan Amount

The maximum principal amount of any farm storage facility loan shall not exceed $500,000.

Term of Loan

The maximum term of the loan is 7, 10 or 12 years with term determined by the total FSFL principal and the borrower.

<u>Total Principal amount term options:</u>

- $100,000 or less the term is for **only** 7 years.
- $100,000.01 - $250,000, the borrower can specify **7 or 10** years.
- $250,000.01 - $500,000, the borrower can specify **7, 10, or 12** years.

For loans over $100,000 the applicant must request the term when the CCC-185 is submitted, because the required financial analysis **must** take into account the annual installment payment amount.

Interest

Loans shall bear interest at the rate equivalent to the rate of interest charged on U.S. Treasury securities of comparable maturity on the date the loan is approved. The interest rate for each loan will remain in effect for the term of the loan.

Interest rates are updated every month and can be different for the 7, 10, or 12 year loan term.

The monthly interest rates for the three terms will be published on the Montana FSA website at http://www.fsa.usda.gov/mt and will also be posted in the local county FSA office.

Security for Loan

All loans shall be secured by a promissory note and security agreement. For loans where the approving committee determines further security is required, loans exceeding $50,000, or where a borrower's aggregate outstanding loan balance exceeds $50,000, a lien on the real estate on which the farm storage facility is located will be required in the form of a real estate mortgage, deed of trust, or other security instrument approved by CCC.

Farm Storage Facility Loan Disbursement Policy

To facilitate the purchase and construction of a facility, the borrower can request 1 (one) partial and 1 (one) final principal disbursement for each Farm Storage Facility Loan. A partial disbursement is **not** required. Borrowers may request only a final disbursement when the facility has been completed.

Partial Disbursements

One partial disbursement may be requested by the borrower when a portion of the construction has been completed and will be commensurate with the amount of construction completed. The partial disbursement can be disbursed at the maximum amount of 50 percent of the projected and approved total loan amount, not to exceed $250,000.

Requirements for Receiving a Partial Disbursement

To receive a partial disbursement, the following is required:

- Acceptable documentation providing the cost of the completed portion;
- security required for the principal amount before the partial disbursement is closed.

If a partial disbursement is requested by the applicant there will be two farm storage facility loans with two installment payments due each year. A separate CCC-186 will be required for each loan. Only 1 manual CCC-185 (Farm Storage Facility Loan Application) will be required for the partial and final loan amounts.

Final Disbursements

The final disbursement for the loan will be disbursed when all security requirements have been met and the entire facility has been assembled, constructed, determined to free of any liens, inspected and approved by a representative of the local FSA County Committee (COC) and installed.

The borrower may change the term of the loan before the final disbursement is made if the principal amount qualifies for a different term and a new financial analysis indicates the annual payments will be manageable. The local FSA County Committee must document, on a case-by-case basis, approval for using a longer term.

Severance Agreement Policy

Severance Agreements are required by the local FSA county office on Farm Storage Facility loans of $50,000 or less to sever the Farm Storage Facility Loan storage structure from the real estate. Severance agreements are **not** required if the down payment is increased to 20 percent.

Changes to a Farming Operation

Farm Storage Facility Loans are approved and disbursed to a farming operation that is an eligible entity or an eligible producer at the time of approval of the loan. If any changes are made to a farming operation with an outstanding Farm Storage Facility loan, the borrower must find an eligible borrower or entity to assume the loan; repay the loan; undergo new financial analysis to ensure the current borrower is in a position to continue making the scheduled Farm Storage Facility loan payments.

Useful Life of the Facility

The useful life of the facility must be at least 15 years to ensure that the Farm Storage Facility Loan will be adequately secured throughout the term of the loan.

Definitions

Crop of economic significance: any insurable Farm Storage Facility Loan commodity that contributes 10 percent or more of the total expected value of all crops grown by the Farm Storage Facility Loan applicant.

For More Information

For more information about this or any other FSA program, contact your FSA local office, or visit Montana FSA's home page at: http://www.fsa.usda.gov/mt