

**For:** State and County Offices, Cotton CMA’s, and LSA’s

**Commodity Certificate Exchange (CCE) for 2015 Crop Cotton  
Loan Transactions by CMA’s and LSA’s - Phase 1, Manual Process**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

Section 740 of the Consolidated Appropriations Act, 2016 amended Section 166 of the Federal Agriculture Improvement and Reform Act of 1996. Beginning with the 2015 crop marketing year, the Secretary shall provide commodity certificates in the same terms and condition as were in effect for the 2008 crop year for marketing assistance loans (MAL’s).

Effective with the 2015 crop MAL program, CCC will offer for sale a commodity certificate that must be immediately redeemed for outstanding nonrecourse MAL collateral by a producer.

There will be 2 phases of implementing CCE’s. Phase 1 is the manual CCE process for the 2015 crop year. Phase 2 will be the automation of CCE’s for 2016 in CLPS, ACRS and CCR.

**B Purpose**

This notice informs CMA’s and LSA’s about:

- general commodity certificate policy and provisions
- the commodity certificate exchange process
- the requirement to complete CCC-694-2.

**Notes:** This notice addresses cotton to be exchanged with a commodity certificate as a manual process at CMA’s and LSA’s. See Notice CN-1053 for CMA’s serviced by designated FSA County Offices.

For the purpose of this notice, the term producer shall mean approved cotton CMA’s or producers who are serviced by an LSA if specified.

<b>Disposal Date</b>	<b>Distribution</b>
October 1, 2016	State Offices; State Offices relay to County Offices, and Cotton CMA’s and LSA’s

## Notice CMA-140

### 1 Overview (Continued)

#### C Producer Action

All producers with a share in the 2015 cotton crop will be notified by FSA in writing of the requirement to complete CCC-694-2 for the 2015 cotton crop redemption to be recorded as CCE's. Additional details about the mailing will be in a future notice.

#### D Definitions

**Commodity loan gain** is the difference between the loan principal amount and the AWP-value of a commodity certificate used to exchange the loan collateral, and the gain is not subject to either AGI provisions or payment limitation.

**Exchange rate** will be the effective adjusted world price (AWP) for cotton on the date the request to purchase a certificate is submitted on CCC-694-2 to the County Office.

**Market loan gain** is the difference between the loan principal amount and the AWP-value of the redeemed loan collateral, and the gain is subject to both AGI provisions and payment limitation.

**Turn-around loan** is a loan that is requested, approved for disbursement, and exchanged with commodity certificates purchased the same day.

#### E CCE Options

There are 4 options available to request commodity certificates for exchange of loan collateral.

- **Turn-around loan** is requested by a producer at the loan servicing office to purchase a commodity certificate for immediate exchange of the entire loan quantity. This option is **not** authorized for agents designated by a CCC-605.
- **Commodity certificate purchase** by a producer at the loan servicing office for immediate exchange of all or part of the loan collateral provided the loan maturity date has not been reached and/or the loan is not in violation.
- **Redemptions by agents, buyers, and alternative delivery partners** will be processed as a commodity certificate exchange if the exchange rate is in effect at the time of the redemption.
- **Previous redemptions and loan gains for 2015 crop** processed through ACRS, CCR, or CLPS will be converted to a commodity certificate exchange at the applicable exchange rate in effect at the time the redemption occurred if all other eligibility requirements have been met. This option is **limited** to the 2015 crop year.

## Notice CMA-140

### 2 General Policies and Provisions

#### A CCE Policy

CCE's:

- are applicable beginning with the 2015 crop marketing year

**Note:** A future notice will provide instructions for handling MAL's repaid with cash before the issuance of this notice, whether it was at AWP or principal plus interest.

- only apply to ginned upland cotton represented by warehouse receipts for which CCC is the holder
- are calculated using the exchange rate based on:
  - AWP in effect on the day the repayment is received in CMA or LSA, adjusted for quality, allowable FCA, times the net bale weight, plus any compression charges that were previously paid by CCC, minus the storage charges according to 7-CN
  - 1-day of storage credit for immediate turn-around loans, if applicable
- expire immediately upon exchange of the outstanding loan collateral
- **cannot** occur unless the cotton is first placed under loan and the loan has not matured.

Commodity certificates are not issued for any of the following:

- exchanged with collateral of any low grade UP cotton loan for which the repayment rate calculates as a negative
- exchanged with collateral of seed cotton loans
- exchanged with collateral of ELS cotton loans
- CCC-owned inventory.

Loan collateral exchanged for a turn-around loan using a commodity certificate:

- must meet all eligibility requirements, including beneficial interest
- is **not** eligible to be re-pledged.

## Notice CMA-140

### 2 General Policies and Provisions (Continued)

#### A CCE Policy (Continued)

Commodity loan gains from loan collateral exchanged with commodity certificates for loan collateral are:

- not subject to payment limitation
- not subject to AGI provisions
- recorded through direct attribution for the purpose of tracking benefits only
- reported by FSA to IRS on CCC-1099-G (for CMA's serviced by a County Office).

**Note:** CMA's not serviced by a County Office or LSA must submit 1099-PATR to its members.

#### B Eligibility Requirements

Eligible producers must:

- have an outstanding nonrecourse commodity loan, not past maturity
- complete and sign a CCC-694-2, according to subparagraph 3 B
- immediately exchange commodity certificate for loan collateral.

CMA's must:

- complete one CCC-694-2, Acknowledgement of Commodity Certificate Purchase, for the 2015 crop year according to Notice CN-1053
- maintain a copy of the CCC-694-2 at CMA.

LSA's shall obtain and maintain a copy of the CCC-694-2 for their producers.

## Notice CMA-140

### 3 CCE for Loan Collateral

#### A Purpose and Use of CCC-694-2

CCC-694-2 is the CMA's or LSA producer's acknowledgement of the commodity certificate purchase and exchanged immediately for loan collateral. CCC-694-2's for LSA producers will be completed by the producer and filed by LSA.

A CCC-694-2 **shall** be completed for each producer who is serviced by a LSA. Each CCC-694-2 **must** be filed in the producer's loan folder.

**Important:** CCC-694-2 **must never:**

- leave the LSA
- be copied
- be faxed.

#### B CMA's Completing CCC-694-2

CMA's shall complete CCC-694-2 according to the following table.

Item	Instructions
1	Enter the crop year.
2	Enter the name and address of CMA.
3-6	No entry required.
7	Enter the transaction number which will be comprised of the crop year, 5 digit State and county code, 00000 as the 5 digit loan number, and 0001 as the final four digits.  <b>Example:</b> 15-78099-00000-0001
8	Check boxes 8C <b>and</b> 8D.
9	No entry required – CMA certification agreeing to the terms to purchase a commodity certificate for exchange of outstanding MAL collateral.
10 A-C	CMA representative shall sign, enter their title, and date the CCC-694-2.

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**3 CCE for Loan Collateral (Continued)**

**C LSA’s Collecting CCC-694-2**

LSA’s producers shall complete CCC-694-2 according to the following table.

<b>Item</b>	<b>Instructions</b>
1	Enter the crop year.
2	Enter the name and address of the producer requesting the CCE.
3-6	No entry required.
7	LSA shall enter the manually assigned commodity certificate transaction number assigned according to subparagraph 3 E.
8A	Enter an “ <b>X</b> ” only for a <b>turn-around loan</b> , otherwise leave blank.
8 B	Enter an “ <b>X</b> ” only for an immediate <b>commodity certificate exchange</b> purchase for the date signed, otherwise leave blank. A new CCC-694-2 is required for <b>each</b> certificate repayment/redemption.
8 C	Enter “ <b>X</b> ” in this box if all outstanding MAL’s are to be redeemed by designated agents, buyers, or alternative delivery partners as a CCE at the rate in effect on the date of redemption.  <b>Note:</b> One request is sufficient for <b>all</b> applicable outstanding loan(s) for the entire crop year, and is to be submitted by producer(s). Producers can select 8C and 8D on the same form.
8D	Enter “ <b>X</b> ” for previous redemptions and loan gains for 2015 crop <b>only</b> to indicate <b>all</b> previous 2015 crop year MAL redemptions processed are to be converted to a CCE at the applicable exchange rate in effect at the time the original redemption occurred.  <b>Note:</b> One request is sufficient for <b>all</b> prior redemptions on applicable loan(s), and is to be submitted by the producer(s). Producers can select 8C and 8D on the same form.
9	No entry required – producer certification agreeing to the terms to purchase a commodity certificate for exchange of outstanding MAL collateral.
10	Obtain the signature of the producer(s) and the date signed.
11	Enter any applicable remarks.

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3 CCE for Loan Collateral (Continued)

D Example of CCC-694-2

The following is an example of CCC-694-2.

This form is available electronically.		See Page 2 for Privacy Act and Public Burden Statements.	
<b>CCC-694-2</b> (02-18-16)		U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	
<b>ACKNOWLEDGMENT OF COMMODITY CERTIFICATE PURCHASE</b>			1. Crop Year
2. Name and Address of Contact Producer		3. Name of Seller:  COMMODITY CREDIT CORPORATION	
<b>PART A - COMMODITY CERTIFICATE EXCHANGE IDENTIFICATION</b>			
4. Check Number	5. Check Date	6. Check Amount \$	7. Commodity Certificate Transaction No.(s)
<b>PART B - PRODUCER REQUEST</b>			
8. Check the applicable request to purchase a Commodity Certificate and agree to the following statement:			
"I acknowledge that this is a request for an immediate exchange of loan collateral for a commodity certificate, to be applicable to the attached list of cotton bales, peanut warehouse receipts, or those commodities listed on the CCC-666 which I am submitting concurrently, and is an <b>irrevocable</b> request that cannot be altered or withdrawn under any circumstances."			
<input type="checkbox"/> A. <b>Turn-around loan</b> – purchase commodity certificates for immediate exchange of the entire loan quantity. Required for each turn around loan request.			
<input type="checkbox"/> B. <b>Commodity Certificate Purchase</b> by a producer at the loan servicing office for immediate exchange of all or part of the loan collateral provided the loan maturity date has not been reached and/or the loan is not in violation. Required for each redemption.			
<input type="checkbox"/> C. <b>COTTON AND PEANUT - Redemptions by Agents, Buyers, and Alternative Delivery Partners</b> - ALL transactions are to be processed as commodity certificate exchanges if the exchange rate is in effect at the time of the redemption. Required by each Producer.			
<input type="checkbox"/> D. <b>Previous Redemptions and Loan Gains for 2015 Crop</b> – all previous loan redemptions processed through ACRS, CCR, or CLPS are to be converted to a commodity certificate exchange at the applicable exchange rate in effect at the time the redemption occurred if all other eligibility requirements have been met. Required by each Producer.			
<b>PART C - PRODUCER AGREEMENT</b>			
9. I acknowledge: (1) receipt of Commodity Credit Corporation (CCC) Commodity Certificate which I requested to purchase from CCC; (2) that the certificate will be exchanged with CCC in the manner specified in CCC regulations at 7 CFR Part 1401 in order that I may receive commodities from CCC which had been pledged as collateral for a CCC marketing assistance loan; and (3) that for purposes of valuing the commodity acquired under this transaction, such value will be the marketing loan repayment rate applicable under 7 CFR Parts 1421 ( <i>commodities other than upland cotton</i> ) and 1427 ( <i>upland cotton</i> ) for the commodity determined as of the day I made payment to CCC for the commodity certificate except for those redemptions and loan gains that previously occurred for the 2015 crop.			
10A. Producer 's Signature (By)	10B. Title/Relationship of the Individual Signing in the Representative Capacity	10C. Date (MM-DD-YYYY)	
10A. Producer's Signature (By)	10B. Title/Relationship of the Individual Signing in the Representative Capacity	10C. Date (MM-DD-YYYY)	
11. REMARKS:			

3 CCE for Loan Collateral (Continued)

D Example of CCC-694-2 (Continued)

CCC-694-0002 (02-18-16)

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**NOTE :** *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a – as amended). The authority for requesting the information identified on this form is 7 CFR Part 1401, 7 CFR Part 1421, 7 CFR Part 1427, the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), and the Agricultural Act of 2014 (Pub. L. 113-79). The information will be used to determine eligibility to participate in and receive benefits under a CCC loan program through documentation of producer/producer's representative acknowledgement of the commodity certificate purchase. The information collected on this form may be disclosed to other Federal, State, Local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in applicable Routine Uses identified in the System of Records Notice for USDA/FSA-2, Farm Records File (Automated) and USDA/FSA-14, Applicant/Borrower. Providing the requested information is voluntary. However, failure to furnish the requested information will result in a determination of ineligibility to participate in and receive benefits under a CCC loan program.*

*This information collection is exempted from the Paperwork Reduction Act as specified in the Agricultural Act of 2014 (Pub. L. 113-79, Title I, Subtitle F, Administration).*

*In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.*

*Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.*

*To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: [program.intake@usda.gov](mailto:program.intake@usda.gov). USDA is an equal opportunity provider, employer, and lender.*



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### 3 CCE for Loan Collateral (Continued)

#### E Assigning Manual Transaction ID Numbers on CCC-694-2

Each commodity certificate transaction shall be identified by a unique 16-digit transaction number until CLPS is updated to accept CCE's.

LSA's shall:

- manually assign the commodity certificate transaction ID
- maintain a register of commodity certificate transaction ID numbers on an Excel spreadsheet available on both PSD's CCE SharePoint site, and Price Support's Internet site at <http://www.fsa.usda.gov/programs-and-services/price-support/Index>
- assign the commodity certificate transaction ID number sequentially on the CCC-694-2 if 8C and/or 8D are checked - the transaction number will be comprised of the crop year, 5 digit State and County code, "XXXXX" for the loan number, and a 4-digit sequential number, such as **15-48828-00000-0001**.

**Note:** The 4-digit sequential number will begin with "0001".

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**3 CCE for Loan Collateral (Continued)**

**E Assigning Manual Transaction ID Numbers on CCC-694-2 (Continued)**

LSA’s shall maintain a Commodity Certificate Exchange (CCE) Interim Register on an Excel spreadsheet according to the following table.

<b>Column</b>	<b>Column Header</b>	<b>Record the following...</b>
1	Crop Year	“YY” for the crop year, “15” for crop year 2015
2	State & County Code	State & County Code as “SSCCC” (no dashes).
3	Loan #	5-digit loan number as “XXXXX”.  <b>Note:</b> For options 8C and 8D enter “00000” (zeros).
4	Cert. #	Sequentially assign a 4-digit certificate number, “XXXX”, starting with “0001”.
5	Producer	Producer or Entity name as it appears on the loan.
6	Commodity	Enter the applicable commodity code. Use “UP” for upland cotton.
7	Turn-Around Loan	Enter an “X” for loans requested for immediate exchange with a commodity certificate (turn-around loans), otherwise leave blank. (8A on CCC-694-2)
8	Commodity Certificate Purchase	Enter an “X” for commodity certificates exchanged for collateral on open loans, otherwise leave blank. (8B on CCC-694-2)
9	Redemptions by Agents, Buyers & Alternative Delivery Partners (Peanuts & Cotton only)	Enter an “X” to request that all cotton and peanut redemptions by agents, buyers, and alternative delivery partners are processed using the CCC at the applicable exchange rate in effect on the date the repayment is received in the County Office, otherwise leave blank. (8C on CCC-694-2)
10	Previous Redemptions & Loan gains (2015 Crop only)	Enter an “X” to request to convert previous redemptions and loan gains for 2015 crop to a CCE at the applicable exchange rate in effect at the time the original redemption occurred, otherwise leave blank. (8D on CCC-694-2)

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3 CCE for Loan Collateral (Continued)

E Assigning Manual Transaction ID Numbers on CCC-694-2 (Continued)

Column	Column Header	Record the following...
11	Quantity	<p>Enter:</p> <ul style="list-style-type: none"> <li>• “ALL” for turn-around loans (8A on CCC-694-2)</li> <li>• quantity being exchanged on outstanding loan (8B on CCC-694-2).</li> </ul> <p>Leave blank, if options 8C and/or 8D are selected on CCC-694-2.</p>
12	Purchase Date	<p>For turn-around loans or loans for immediate redemption, enter the date the CCC-694-2 was completed in the County Office or LSA. (8A or 8B on CCC-694-2)</p> <p>Leave blank, if options 8C and/or 8D were selected.</p>
13	CHECK AMT	<p>For turn-around loans or loans for immediate redemption, enter the calculated commodity certificate value in dollars and cents, “\$0.00” purchased by the producer. (8A or 8B on CCC-694-2)</p> <p>Leave blank, if options 8C and/or 8D were selected.</p>
14	CLPS DATE	<p>For turn-around loans or loans for immediate redemption, enter the date the exchange transaction was recorded in the automated system. (8A or 8B on CCC-694-2)</p> <p>Leave blank, if options 8C and/or 8D were selected.</p>

## Notice CMA-140

### 3 CCE for Loan Collateral (Continued)

#### F CMA and LSA Action, Phase 1

CMA's and LSA's shall continue to:

- process repayments through ACRS in the normal manner using the AWP at the time the transaction occurs
- enter the assigned CCC-694-2 number on the transmission statement
- submit producer's files through the interim process to record and track benefits when notified to do so.

#### G Redemptions Submitted by Buyers, Agents, or Alternative Delivery Partners – Option 8C

Phase 1 requires **each** producer to complete a CCC-694-2 and select option 8C for any 2015 crop MAL redeemed by an agent, buyer or alternative delivery partner if they wish to have the transaction processed as a commodity certificate exchange if the exchange rate is in effect at the time of the redemption. Only **one** CCC-694-2 needs to be completed for the 2015 cotton crop year if a producer selects item 8C.

County Offices and alternative delivery partners (CMA's, LSA's and Cotton Clerks) **shall** continue to use existing software to process cotton loan redemptions.

**Note:** If a producer **fails** to submit a completed CCC-694-2 for option 8C, **all** CCR transactions for the applicable producer will be treated as "cash" redemptions **and** any market gains will be subject to payment limitation and AGI provisions.

## Notice CMA-140

### 3 CCE for Loan Collateral (Continued)

#### H Previous Redemptions and Loan Gains for 2015 Crop – Option 8D

Phase 1 requires **each** producer to complete a CCC-694-2 and select option 8D for any 2015 crop MAL redeemed and proceed through ACRS, CCR, or CLPS if they wish to have previous transactions to be converted to a commodity certificate exchange if the exchange rate was in effect at the time the redemption occurred, and if all other eligibility requirements have been met. Only **one** completed CCC-694-2 is required for the 2015 cotton crop year if a producer selects item 8D.

**For the 2015 cotton crop only** – a producer may select options 8C **and** 8D at the same time on the same CCC-694-2, and the provisions will be applicable to **all** eligible 2015 cotton crop loans obtained by the LSA.

The conversion of previous redemptions and loan gains will be addressed in greater detail in a future notice.

### 4 Contacts

#### A Contacts

For questions or concerns about the contents of this notice contact:

- Frankie Coln by either of the following:
  - e-mail to **frankie.coln@wdc.usda.gov**
  - telephone at 202-720-9011
- Kelly Hereth by either of the following:
  - e-mail to **kelly.hereth@wdc.usda.gov**
  - telephone at 202-720-0448.