

For: Cotton State and County Offices, Cotton Clerks, Cotton CMA's, and LSA's

Eligibility Requirements for Cotton MAL's and LDP's

Approved by: Deputy Administrator, Farm Programs



1 Eligibility Requirements

A Background

The Agricultural Act of 2014 (2014 Farm Bill) authorized 2014 through 2018 crop year MAL's and LDP's.

Producers, meaning persons or legal entities, requesting MAL's and LDP's must meet and comply with annual program eligibility requirements.

Some of the required eligibility documents would normally be completed or updated during the annual farm program signup each crop year. The 2014 Farm Bill was enacted on February 7, 2014. The signup for the new Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs is scheduled to begin later this year when the regulations are finalized, which could possibly be after MAL and/or LDP is requested.

The 2014 Farm Bill enacted a combined payment limitation beginning with the 2014 crop year, which includes LDP's and market loan gains. The total amount of payments received, directly or indirectly, by a person or legal entity for LDP's, market loan gains, and ARC and PLC payments is limited to \$125,000 annually for all commodities except peanuts. Peanuts have a separate \$125,000 payment limitation for these 4 payments.

B Purpose

This notice reminds State and County Offices about the following:

- specific eligibility requirements for MAL's and LDP's that are needed **before**:
 - MAL disbursements
 - MAL repayments using AWP
 - LDP approvals and disbursements
- requirement to control payment limitation.

Disposal Date	Distribution
March 1, 2015	Cotton State Offices; State Offices relay to County Offices, Cotton Clerks, Cotton CMA's, and LSA's

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2 Action

A State Office Action

State Offices shall ensure that County Offices and cotton clerks are aware of the contents of this notice.

B County Office and Cotton Clerk Action

County Offices and cotton clerks shall:

- comply with the instructions provided in this notice
- ensure that producers have met the required eligibility requirements for MAL's and LDP's before approval, disbursement, and repayment, if applicable.

3 Cotton MAL Eligibility Requirements

A Cotton MAL Disbursement

The following annual program requirements must be completed **before** MAL disbursement:

- acreage report showing a share in the crop on which MAL is requested
- AD-1026 completed and in compliance according to 6-CP
- DCIA compliance from producer certification
- compliance with controlled substance provisions
- compliance with fraud provisions
- compliance with foreign person rules according to 5-PL
- UCC-10 is on file
- completed CCC Cotton A-5
- CCC-601-ELS Appendix, which pertains only to outside-stored ELS cotton
- CCC-877, which pertains to seed cotton only.

B Cotton MAL Repayment

Producers may repay MAL at the lesser of either of the following:

- loan principal plus interest plus any compression and reconcentration charges that were previously paid by CCC
- AWP.

If repaying MAL using AWP, producers **must**:

- have filed CCC-941 for the 2014 crop year
- be in compliance with AGI requirements according to 5-PL and 8-LP, subparagraph 34 B

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3 Cotton MAL Eligibility Requirements (Continued)

B Cotton MAL Repayment (Continued)

- have signed a valid CCC-605, and if applicable, CCC-605-2

Note: A FAXed copy of CCC-605 is acceptable if the producer has a signed CCC-Cotton A dated “09-02-04” or later.

- **not** have exceeded the applicable \$125,000 payment limitation, directly or indirectly, in LDP’s, market loan gains, and ARC and PLC payments according to 5-PL and 8-LP, subparagraph 34 A.

Notes: An individual or entity not in compliance with AGI is still eligible for MAL, but **cannot** earn a market loan gain when the loan is redeemed.

Payment limitations do **not** apply to MAL disbursements. If payment limitation is reached, the individual or entity may still receive MAL, but the individual will **not** be eligible for a market loan gain.

2-PL and 3-PL (Rev. 1) must be followed for recording entity and joint member information.

4 Upland Cotton LDP Requirements

A Upland Cotton LDP Eligibility

The following annual program requirements must be completed **before** LDP approval:

- acreage report for the producer showing a share in the crop on which LDP is requested
- payment limitation available according to 5-PL and 8-LP, subparagraph 34 A
- compliance with AGI requirements, according to 5-PL and 8-LP, subparagraph 34 B, and CCC-941 has been filed for the 2014 crop year
- AD-1026 completed and in compliance according to 6-CP
- DCIA compliance from producer certification
- compliance with controlled substance provisions
- compliance with fraud provisions
- compliance with foreign person rules according to 5-PL.

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4 Upland Cotton LDP Requirements (Continued)

B Upland Cotton LDP Applications

LDP requests are complete when a County Office receives a completed and signed CCC-633 EZ, pages 1 and 3.

County Offices shall encourage producers to submit CCC-633 EZ, page 1 for the 2014 crop year whether or not the producer plans to subsequently request a loan or LDP.

CCC-633 EZ, page 1 **must** be submitted **before** beneficial interest (BI) was lost on a quantity for the cotton to be assured eligibility for LDP.

Note: See subparagraph C for LDP requests if CCC-633 EZ, page 3 is submitted **after** BI is lost.

CCC-633 EZ, page 1 serves as the producer's intention to request and receive LDP benefits, although the producer still maintains the ability to pledge the eligible commodity for MAL. The eligible commodity becomes ineligible for MAL when CCC-633 EZ, page 3 has been submitted for payment of LDP benefits.

CCC-633 EZ:

- incorporates all types of LDP requests into a single 2-part application consisting of:
 - page 1 (LDP agreement)
 - page 3 (LDP benefit requests)
 - page 2 and 4 (LDP benefit request for feed grain commodities and wool/mohair)
- ensures LDP benefits for eligible producers on all eligible cotton when page 1 is filed **before** loss of BI, and CCC-633 EZ, page 3 is received **before** the final loan/LDP availability date
- covers cotton ginned or sold before CCC-633 EZ, page 3 is submitted as long as the producer has filed CCC-633 EZ, page 1 **before** loss of BI

Note: See subparagraph C for LDP options relative to harvest and ginning.

- must be dated "03-28-14".

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4 Upland Cotton LDP Requirements (Continued)

C LDP Request Options Relative to Harvest and Ginning

Cotton LDP's may be disbursed only on eligible, ginned cotton upon presentation of production evidence in the form of a warehouse receipt or bale list.

Producers requesting LDP **must** submit **both** CCC-633 EZ, pages 1 and 3 for any of the following options.

IF the type of LDP request is...	AND the rate used for LDP is rate effective on the...	AND the BI status at the time the application was received is...	THEN the LDP request...
irrevocable module lock-in	date the signed application is received	producer has BI	cannot be revised or canceled. See 7-CN, subparagraph 275 E.
gin-direct	date of ginning		can be revised or canceled under certain circumstances . See 7-CN, subparagraphs 274 F and G.
irrevocable post-ginning	date of application		cannot be revised or canceled. See 7-CN, subparagraph 275 E.
lost BI before application	date BI was lost	BI lost	cannot be disbursed until producer provides acceptable documentation of the date BI was lost.

D Cotton LDP's

County Offices are to process submitted LDP requests through the eLDP web-based system.

Note: See 7-CN, Part 5 for additional information on LDP's.

5 Payment Limitation Requirement

A Payment Limitation

The 2014 Farm Bill enacted a combined payment limitation of \$125,000 beginning with the 2014 crop year for payments received, directly or indirectly, by a person or legal entity (except joint ventures or general partnerships), for all covered commodities and loan commodities other than peanuts, for a combination of the following programs:

- LDP's
- market loan gains
- ARC
- PLC.

A person or legal entity that receives these payments for peanuts, directly or indirectly, has a separate \$125,000 payment limitation.

B Controlling Payment Limitation for 2014 Crop Year

The National Office is reviewing options for controlling payment limitation for the 2014 crop year.

Important: Instructions for monitoring and controlling payment limitation will be released through forthcoming notices.

C Denied LDP and Market Loan Gain

If a producer benefited from LDP and/or market loan gain and it is later determined that their available payment limitation amount had been exceeded, they will owe CCC the denied LDP and/or market loan gain in the amount determined to be in excess of the payment limitation.

Any amount owed CCC may be offset from any CCC or FSA payments due the producer.

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6 Contact Information

A MAL and LDP Policy Contacts

State Offices shall direct **policy** questions to the applicable contact according to this table.

IF the policy question is about...	THEN contact...
cotton MAL's and LDP's	Kelly Hereth by either of the following: <ul style="list-style-type: none">• e-mail to kelly.hereth@wdc.usda.gov• telephone at 202-720-0448.
cotton CMA's and DMA's	Frankie Coln by either of the following: <ul style="list-style-type: none">• e-mail to frankie.coln@wdc.usda.gov• telephone at 202-720-9011.

B MAL and LDP Automation Contacts

State Offices shall direct **automation** questions to the applicable contact according to this table.

IF the automation question is about...	THEN contact...
<ul style="list-style-type: none">• MAL disbursements and LDP payments• MAL repayments	Shayla Watson by either of the following: <ul style="list-style-type: none">• e-mail to shayla.watson@wdc.usda.gov• telephone at 202-690-0013.
<ul style="list-style-type: none">• ACRS• COPS	Shannon Fulghem by either of the following: <ul style="list-style-type: none">• e-mail to shannon.fulghem@kcc.usda.gov• telephone at 816-926-1533.