

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

**Letter to Cotton Producers About Commodity Certificate Exchanges (CCE)
for 2015 Crop Loans and Additional CCC-694-2 Filing Instructions and CCE Registers**

Approved by: 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 2015 crop year MAL's, the Secretary shall provide commodity certificates in the same terms and conditions as were in effect for the 2008 crop year for loans.

Effective with 2015 crop year MAL's, CCC will authorize the purchase of commodity certificates that must be immediately exchanged for outstanding nonrecourse MAL collateral by a producer or designated agent.

Notices LP-2216, CN-1053, and CMA-140 provided policy for certificate exchanges for 2015 crop commodities.

B Purpose

This notice provides cotton producing State and County Offices with:

- a copy of a letter mailed to Upland Cotton producers explaining CCE's
- a review of CCE general provisions provided in previously issued notices
- producer actions for completing CCC-694-2's
- additional instructions regarding the use and filing of CCC-694-2
- instructions for maintaining CCC-694-2 files and registers of CCE activity.

C CCE Availability Notification Letter

The CCE Availability Notification letter in Exhibit 1 was recently mailed from the National Office to all upland cotton producers who indicated on their 2015 crop year CCC-578 that they had a share in upland cotton. The letter provides producers with basic information about CCE's and instructs them to contact their MAL disbursement office for additional CCE information.

| Disposal Date | Distribution |
|----------------------|--|
| April 1, 2017 | Cotton Producing State and County Offices; State Offices relay to County Offices, Cotton Clerks, and LSA's |

2 CCE General Provisions Review

A Requesting CCE's

Options for requesting commodity certificates for exchange of loan collateral include:

- turn-around loans
- commodity certificate purchase
- redemptions by agents, buyers and alternative delivery partners
- previous redemptions with market loan gains.

B Commodity Loan Gains

Commodity loan gains from loan collateral exchanged with commodity certificates for loan collateral are not subject to:

- payment limitation
- actively engaged, member contribution and cash rent tenant provisions
- AGI provisions.

C Exchange Rate

CCE's are applicable to Upland Cotton MAL's only when the loan rate for the loan exceeds the applicable AWP. The CCE rate, or CCC-determined value, is based on the date the certificate is purchased and the AWP in effect at that time.

D Purpose of Form CCC-694-2

CCC-694-2 is the producer's acknowledgement of commodity certificate purchase and immediate exchange for loan collateral. See Exhibit 2 for an example of the CCC-694-2.

3 Additional Instructions for Completing and Submitting CCC-694-2's

A Producer Actions

Producers who have pledged, or will pledge, upland cotton for a 2015 crop year MAL must complete CCC-694-2 if they intend to have their loan collateral redemption converted to CCE.

Notice CN-1054

3 Additional Instructions for Completing and Submitting CCC-694-2's (Continued)

B County Office and Cotton Clerk Actions

County Offices and cotton clerks shall maintain:

- completed CCC-694-2's in each loan folder for options 8A and 8B
- a manual alphabetical file of all completed CCC-694-2's for options 8C and 8D
- a register of commodity certificate transactions on an Excel spreadsheet according to Notice CN-1053, subparagraph 3 D, available on both PSD's CCE SharePoint site, and the Price Support Internet site at <http://www.fsa.usda.gov/programs-and-services/price-support/Index>.

C Submitting CCC-694-2

For MAL's documents that were initially processed by a:

- County Office, the producer completes CCC-694-2 in the County Office
- cotton clerk, the producer can complete CCC-694-2 at the cotton clerk office or the administrative County Office

Note: If a producer submits a completed CCC-694-2 to a cotton clerk, the cotton clerk shall provide the original completed form to the loan processing County Office.

- loan servicing agent (LSA), the producer completes CCC-694-2 at the LSA office. If an LSA has Power of Attorney (FSA-211) for a producer, the LSA completes the CCC-694-2 as agent for the producer.

Cooperative Marketing Associations (CMA) complete one CCC-694-2 per commodity per crop year that covers all of the CMA's members.

Notice CN-1054

3 Additional Instructions for Completing and Submitting CCC-694-2's (Continued)

D When Is a CCC-694-2 Required

A CCC-694-2 must be completed:

- for **each** loan if either of these options is selected on the CCC-694-2:
 - 8A for a turn-around loan
 - 8B for a commodity certificate purchase.

Note: For options 8A and 8B only **one** producer with a share in the crop under loan is required to sign CCC-694-2, even for joint loans.

- by **all** producers with a share in the crop under loan if either one or both of these options are selected on the CCC-694-2:
 - 8C for cotton or peanut redemptions by designated agents or buyers
 - 8D to convert previous redemptions with market loan gains to CCE.

If the producer has issued a Power of Attorney (FSA-211) then the representative can sign CCC-694-2 as agent for the producer for MAL purposes.

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

- leave the County Office
- be copied
- be faxed.

Notice CN-1054

4 Action

A State Office Action

State Offices shall ensure County Offices and cotton clerks receive and review the entire contents of this notice.

B County Office and Cotton Clerk Action

County Offices and cotton clerks shall:

- follow the contents of this notice
- direct questions related to CCE’s and the contents of this notice to their respective State program specialist.


C Contacts

State program specialists shall direct questions to the applicable contact according to this table.

| IF the question is about... | THEN contact... |
|------------------------------------|---|
| cotton MAL policy CCE policy | Kelly Hereth Dawson by either of the following: <ul style="list-style-type: none">• e-mail to kelly.hereth@wdc.usda.gov• telephone at 202-720-0448. |
| CMA, LSA or DMA policy | 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. |
| automated redemptions or CCE’s | Laura Schlote by either of the following: <ul style="list-style-type: none">• e-mail to laura.schlote@wdc.usda.gov• telephone at 202-720-7785. |

CCE Notification Letter

The following is the CCE notification letter sent to all upland cotton producers.



United States Department of Agriculture

Farm and Foreign
Agricultural
Services

Farm Service Agency

Farm Programs

1400 Independence
Ave, SW
Stop 0512
Washington, DC
20250-0512

Price Support Division
Voice: 202-720-7901
Fax: 202-690-3307

Date Field

Producers Name Field

Address Field

State Field

You are receiving this letter because the Farm Service Agency (FSA) records indicate that you have or had a share in 2015 crop year upland cotton as reported on your 2015 acreage report form (FSA-578).

The Consolidated Appropriations Act of 2016 was signed into law on December 18, 2015. This Act included provisions for the issuance of commodity certificates under the same terms and conditions as were in effect for 2008 crop year loans.


Beginning with 2015 crop year upland cotton Marketing Assistance Loans (MALs), the Commodity Credit Corporation (CCC) will authorize the purchase of commodity certificates for exchange of your outstanding loan collateral or convert previous redeemed cotton loans. If you participate in the commodity certificate program, the commodity certificate exchange will not be subject to either payment limitations or Adjusted Gross Income.

For all future 2015 crop MAL redemptions or if you have already redeemed a 2015 crop upland cotton MAL with cash, and you want to convert that redemption to a commodity certificate exchange you are required to complete and sign form CCC-694-2 "Acknowledgement of Commodity Certificate Purchase." You must submit the form to the office that serviced your loan; this could be a County FSA Office, or a Loan Servicing Agent (LSA), or a cotton clerk that processed and disbursed your loan. If you are a member of a Cooperative Marketing Association (CMA), you will not be required to submit form CCC-694-2 to your CMA, since your CMA transacts business for you as one of its members.

If you fail to submit a completed CCC-694-2 form, all previous redemptions will be treated as "cash" market loan gain redemptions, and you will be subject to the payment limitations and Adjusted Gross Income provisions.

For additional information and how to complete a CCC-694-2, please contact your local County FSA Office, LSA, or applicable cotton clerk.

Sincerely,



Brad Pfaff
Deputy Administrator for Farm Programs
Farm Service Agency

USDA is an Equal Opportunity Provider and Employer

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. | |
| CCC-694-2 (02-18-16) | | U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation | |
| ACKNOWLEDGMENT OF COMMODITY CERTIFICATE PURCHASE | | | 1. Crop Year |
| 2. Name and Address of Contact Producer | | 3. Name of Seller: COMMODITY CREDIT CORPORATION | |
| PART A - COMMODITY CERTIFICATE EXCHANGE IDENTIFICATION | | | |
| 4. Check Number | 5. Check Date | 6. Check Amount \$ | 7. Commodity Certificate Transaction No.(s) |
| PART B - PRODUCER REQUEST | | | |
| 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 irrevocable request that cannot be altered or withdrawn under any circumstances." | | | |
| <input type="checkbox"/> A. Turn-around loan – purchase commodity certificates for immediate exchange of the entire loan quantity. Required for each turn around loan request. | | | |
| <input type="checkbox"/> B. 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. Required for each redemption. | | | |
| <input type="checkbox"/> C. COTTON AND PEANUT - Redemptions by Agents, Buyers, and Alternative Delivery Partners - 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. Previous Redemptions and Loan Gains for 2015 Crop – 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. | | | |
| PART C - PRODUCER AGREEMENT | | | |
| 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 (commodities other than upland cotton) and 1427 (upland cotton) 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: | | | |