

For: State and County Offices and CMA's, DMA's, and LSA's

Crop Year 2015 MAL and LDP General Policies

Approved by: Acting Deputy Administrator, Farm Programs

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1 Overview

A Background

The Agricultural Act of 2014 (2014 Farm Bill) authorized 2014 through 2018 crop year MAL's and LDP's on barley, canola, corn, cotton, crambe, dry peas, flaxseed, grain sorghum, honey, large chickpeas, lentils, mohair, mustard seed, oats, peanuts, rapeseed, rice, safflower, sesame seed, small chickpeas, soybeans, sunflower seed, wheat, and graded and nongraded wool.

MAL's provide producers interim financing at harvest time to meet cash flow needs without having to sell their commodities when market prices are typically at harvest-time lows. Allowing producers to store their production at harvest facilitates a more orderly marketing of commodities throughout the year.

LDP's are payments issued to producers, with harvested commodities, instead of MAL's when the CCC-determined value is below the applicable loan rate. The LDP amount is the difference between the county loan rate and the CCC-determined value for the applicable commodity or class of commodity times the eligible quantity.

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 CCC-determined value
 - LDP approvals and disbursements
- general policies and procedures for 2015 crop MAL's and LDP's, including the Interim Attribution Process to record MLG and LDP earned benefits for payment limit purposes
- MAL application requirements.

Disposal Date	Distribution
June 1, 2016	State Offices; State Offices relay to County Offices and CMA's, DMA's, and LSA's

2 General MAL and LDP Policies

A Requirements Before MAL Disbursement

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

- acreage report is filed showing a share in crop on which MAL is requested

Notes: All cropland, on the farm for which the commodity pledged as collateral for a MAL or LDP was produced, must be reported. Failure to report all cropland on a farm shall be considered noncompliance with program requirements and a violation according to 2-CP, and all production from the farm is ineligible for a MAL or LDP.

To ensure that all cropland on a farm has been reported, County Offices shall review the Crop Acreage Reporting System (CARS) report for identifying “Farms with Unreported Cropland” for all producers requesting loans and LDP’s **before** disbursing loans and processing LDP’s. See 2-CP, paragraphs 318 and 380.5.

- AD-1026 completed and in compliance according to 6-CP for producer and all affiliated persons in a legal entity
- DCIA compliance from producer certification
- compliance with fraud provisions
- compliance with foreign person rules according to 5-PL.

Notes: While CCC-902 and CCC-941 are **not** required for MAL disbursements, both CCC-902 and CCC-941 are required **before** the following:

- repayments with marketing loan gains (MLG’s)
- LDP’s.

County Offices shall encourage producers to complete CCC-902 and CCC-941, if not already updated for that crop year, when requesting MAL’s.

The applicable eligibility flags are checked for the producer and all affiliated members of a legal entity when MAL is processed and disbursed through Commodity Loan Processing System (CLPS).

2 General MAL and LDP Policies (Continued)

B Requirements Before MAL Repayments at CCC-Determined Value and LDP Disbursements

Producers **must** meet the following requirements **before** MAL repayments at CCC-determined value and/or LDP disbursements:

- eligibility under actively engaged in farming, cash rent tenant, and member contribution provisions according to 5-PL

Notes: CCC-902 and CCC-901, if applicable, **must** be submitted and current for 2015 crop year with a COC determination made and the subsidiary files updated according to 3-PL and 5-PL for all producers and entity members for the following:

- actively engaged in farming
- member contribution
- cash rent tenant.

If these determinations have **not** been made and the subsidiary files updated, an MLG repayment and/or LDP may be denied or reduced for the producer or payment entity.

- acreage report showing a share in the crop on which LDP or MLG is requested with all cropland on that farm reported as verified with the Farms With Unreported Cropland Report in CARS
- AD-1026 completed and in compliance according to 6-CP for producer and all affiliated persons in a legal entity
- DCIA compliance from producer certification
- compliance with AGI requirements, according to 5-PL and 8-LP, with CCC-941 filed by producer and all interest holders in a legal entity

Note: IRS will again verify the information submitted for 2015 crop year.

- payment limitation available according to 5-PL and 8-LP, subparagraph 34 A
- compliance with controlled substance provisions
- compliance with fraud provisions
- compliance with foreign person rules according to 5-PL.

2 General MAL and LDP Policies (Continued)

B Requirements Before MAL Repayments at CCC-Determined Value and LDP Disbursements (Continued)

The applicable eligibility flags for the producer and all required affiliated members of an entity, **except** for payment limitation, are checked for loans repaid with MLG through CLPS.

LDP payments are **not** automatically restricted by payment limitation, AGI, or eligibility records in the eLDP system. County Offices are responsible for ensuring that that producers are eligible for payment **before** approving and processing LDP.

C Commodity Eligibility

Eligible loan commodities **must** have been produced by an eligible producer.

The following commodities are eligible for 2015 crop year MAL's and LDP's, if applicable.

Commodities Eligible for 2015 Crop Year MAL's and LDP's		
barley	honey	safflower seed
canola	large chickpeas	sesame seed
cotton	lentils	small chickpeas
corn	mustard seed	soybeans
crambe	nongraded wool	sunflower seed
dry peas	oats	wheat
flaxseed	peanuts	
graded wool	rapeseed	
grain sorghum	rice	

Funding for mohair MAL's and LDP's are not authorized in the Continuing Resolution (CR). Extra long staple cotton is eligible for MAL, but not LDP's or repayments at less than principal plus interest. Hay silage and unshorn pelts derived from an eligible loan commodity are eligible for LDP's, but **not** for MAL's.

D Beneficial Interest Requirement

Beneficial interest policy for the 2015 crop year is unchanged from the 2014 crop year. See 8-LP, paragraph 227 for more detailed information.

A producer is considered to have beneficial interest in a commodity if **both** of the following remain with the producer:

- title to the commodity
- control of the commodity.

2 General MAL and LDP Policies (Continued)

D Beneficial Interest Requirement (Continued)

As a reminder, beneficial interest in the commodity **must** be retained by the producer from harvest continuously for:

- loans until the loan is repaid
- LDP at the time of the LDP agreement request on CCC-633 EZ, page 1 is submitted.

Note: If CCC-633 EZ, page 1 has been submitted for the crop year, LDP may be based on the day the producer lost beneficial interest.

E AGI Requirements

AGI provisions were modified in the 2014 Farm Bill. Producers whose average AGI exceeds \$900,000 are **not** eligible to receive MLG or LDP.

Example: The 3-year average AGI for crop year 2015 will be 2011, 2012, and 2013.

Note: Producers will still be allowed to receive MAL's if their AGI exceeds \$900,000, but MAL **must** be repaid at principal plus interest.

F Payment Limitation

The total amount of payments received, directly or indirectly, by a person or legal entity (**except** a joint venture or general partnership) for any crop year for agriculture risk coverage (ARC), price loss coverage (PLC), MLG's, or LDP payments for all loan commodities (**except** sugar) in subparagraph C, **other than peanuts**, may **not** exceed \$125,000.

A person or legal entity that receives payments for peanuts has a **separate \$125,000** payment limitation for ARC, PLC, MLG's, and LDP's.

MLG's and LDP's are applied to the payment limit for the crop year applicable to the loan.

Examples: Crop year 2015 LDP's will apply to a producer's 2015 payment limitation.

Crop year 2015 MAL's repaid with a market gain in calendar year 2016 will also be applied to the producers 2015 payment limitation.

2 General MAL and LDP Policies (Continued)

G 2015 Interim Attribution Process for MLG's and LDP's to Check Eligibility and Control Payment Limitations

County Offices shall continue to follow the Interim Attribution Process announced last year for tracking MLG's and LDP's.

County Offices shall use the common payment reports to ensure that the MLG and LDP entries are entered correctly, as well as assisting CMA's, DMA's, and LSA's with their customers. Common payment reports are described in 9-CM and the procedure and timeframes listed shall be followed. It is very important that these reports are reviewed, as required, and errors corrected to record accurate producer payment information according to Part 7 of the Interim Attribution Process User Guide. This will ensure that correct ARC and PLC payments, MLG's, and LDP's are issued.

Notes: The Interim Attribution Process User Guide Version 2.0 was provided to State and County Office on October 29, 2015.

9-CM shall be followed in preparing and interpreting the common payment reports for MLG and LDP transactions in the Interim MLG/LDP Attribution Process.

The following reports are available for market gain and LDP transactions.

Report	How to Use This Report	Availability of Data
Submitted Payment Report	<p>This report lists MLG and LDP amounts attributed in full or in part.</p> <p>The "Reduced Payment" column on the report can be used to determine whether MLG or LDP was reduced. If reduced, then the Nonpayment Report can be used to determine the reason for the reduction.</p>	Updated every 15 minutes between 6 a.m. and 7 p.m. c.t.
Pending Overpayment Report	<p>This report lists MLG or LDP amounts that have been recorded, then subsequently modified or deleted which would result in the producer being overpaid.</p> <p>Example: MLG recorded for Producer A. Several weeks later in the County Office, Producer A's AGI eligibility was set to "Not Compliant". The producer would then be listed on this report.</p> <p>This process does not interface to NRRS so the listed overpayment will not be transferred to NRRS. County Offices shall follow Parts 4 and 5 in the Interim Attribution Process User Guide Version 2.0 to establish receivables.</p>	Updated every 15 minutes between 6 a.m. and 7 p.m. c.t.

2 General MAL and LDP Policies (Continued)

G 2015 Interim Attribution Process for MLG's and LDP's to Check Eligibility and Control Payment Limitations (Continued)

Report	How to Use This Report	Availability of Data
Nonpayment Report	<p>This report lists producers and members that are ineligible for MLG or LDP with the reason for ineligibility. If the reason listed is not valid, then corrective action should be taken to update the applicable system.</p> <p>Once updated, MLG or LDP will not reprocess until the nightly payment batch.</p> <p>Recommendation: If updating eligibility information, County Offices shall review all eligibility criteria as described in Part 2 of the Interim Attribution Process User Guide Version 2.0 to ensure that all information is updated for the next batch process. Otherwise, the County Office may have to wait another day to determine whether the producer is eligible for MLG or LDP.</p>	Updated daily at 3 a.m. c.t.
Payment History Summary	Report lists all MLG's and LDP's for the selected producer.	Updated daily at 3 a.m. c.t.

H 2015 Loan Rates

The 2015 crop loan rates are posted to PSD's Internet web site.

State and County Offices may print loan rates applicable to their State and counties using the web site at <http://www.fsa.usda.gov/programs-and-services/price-support/commodity-loan-rates/index>.

I 2015 Premiums and Discounts

The premiums and discounts applicable to 2015 crop year commodities will be:

- announced and inserted in the applicable policy handbooks
 - 2-LP Grains and Oilseeds
 - 2-LP Honey
 - 2-LP Peanuts
 - 2-LP Rice
 - 7-CN for cotton
 - 8-LP for wool

2 General MAL and LDP Policies (Continued)

I 2015 Premiums and Discounts (Continued)

- posted on PSD's site at <http://www.fsa.usda.gov/programs-and-services/price-support/commodity-loan-rates/index>.

J Graze-Out Payments

Graze-out payments instead of LDP's for 2015 crop year are available to eligible producers who:

- elect to use acreage planted to barley, oats, triticale, or wheat for grazing by livestock
- agree to forgo any other harvesting of the commodity on this acreage during the crop year.

For more information see, 8-LP, Part 11.

K Sequestration of MAL's and LDP's

Sequestration applies to MAL's and LDP's. CCC funds will be used to apply the sequestration reductions to the loan disbursement and LDP so there will be no reduction to the amount the producer receives.

The 2014 Farm Bill in Section 1614(d) provides that the Secretary shall use such sums, as are necessary of CCC funds, to restore support, loans, and assistance.

L Commodities Exceeding the Applicable Moisture Standard

All harvested loan commodities with moisture falling between the applicable 2-LP standards and maximum STC level are eligible for nonrecourse loans and LDP's. Eligible quantities shall be adjusted for moisture to the applicable standard.

For crop year 2015, County Offices must manually shrink farm-stored commodities with excess moisture using the tables in 8-LP, Exhibit 13 **before** entering the quantity for loan into CLPS.

3 MAL and LDP Application Forms

A MAL Application

An application for MAL is requested after the commodity is harvested and stored in either:

- an approved farm storage structure
- a CCC-authorized warehouse.

When requesting a farm-stored MAL, the producer may request either of the following:

- certified loan
- measured loan.

For a warehouse-stored MAL, the producer **must** present acceptable warehouse receipts from an authorized warehouse that **must** be either:

- a negotiable paper receipt
- an EWR issued by a DACO-approved EWR provider. When requesting a warehouse loan with EWR's, the producer shall provide the County Office with the following:
 - for cotton, an EWR bale list
 - for rice, peanuts, and other approved EWR commodities, a list of EWR's.

CCC-666 **must** be completed for all farm- and warehouse-stored loan requests, **except** peanuts and cotton.

Notes: For peanut MAL requests in the State, the State Office may **require** CCC-666.

In addition, for measured farm-stored loan requests, CCC-677-1 and FSA-409 are also **required**.

B LDP Request

An LDP request submitted by the producer is complete when a County Office receives the following:

- CCC-633 EZ, page 1, signed and approved in the County Office before beneficial interest is lost, **and**
- CCC-633 EZ, pages 2 or 4, submitted when LDP is requested with payment determined either by the day beneficial interest was lost, based on submitted evidence, or date request approved, **or**
- CCC-633 EZ, page 3, along with required supporting documentation, submitted when LDP is requested with payment determined by the type of LDP requested according to 7-CN, paragraph 262.

Notice LP-2215

4 Action

A State Office Action

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

B County Office Action

County Offices shall:

- administer 2015 crop year MAL's and LDP's, if applicable
- continue to use 2-LP Honey, 2-LP Peanuts, 2-LP Rice, 8-LP, and 7-CN for additional guidance **except** as provided in this notice
- publicize and notify producers of the contents of this notice.

C Contacts

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

IF the question is about...	THEN contact...
peanut MAL and LDP policy	Kathy Sayers by either of the following: <ul style="list-style-type: none">• e-mail to kathy.sayers@wdc.usda.gov• telephone at 979-680-5155.
cotton MAL and LDP 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.
sugar commodity loan policy	Toni Williams by either of the following: <ul style="list-style-type: none">• e-mail to toni.williams@wdc.usda.gov• telephone at 202-720-2270.
policy for all other MAL and/or LDP commodities listed in subparagraph 2 C	DeAnn Allen by either of the following: <ul style="list-style-type: none">• e-mail to deann.allen@wdc.usda.gov• telephone at 202-720-9889.
CMA, DMA, and LSA policy	Frankie Coln at either of the following: <ul style="list-style-type: none">• e-mail to frankie.coln@wdc.usda.gov• telephone at 202-720-9011.