

For: Cotton Producing State and County Offices

2015 Interim MG Process Software Changes

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A Background

Notices LP-2216 and CN-1053 advised State and County Offices that 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 MAL's as authorized by Section 740 of the Consolidated Appropriations Act, 2016.

Notice CN-1055 provided additional information about the deadline for producers to file CCC-694-2 to convert previous redemptions and commodity loan gain for the 2015 crop year to CCE's.

For crop year 2014, the interim MG/LDP process was implemented for cotton and peanuts to track market loan gain (MLG) and LDP activity for payment eligibility and payment limitation purposes.

B Purpose

This notice:

- advises State and County Offices that:
 - the interim MG process has been modified for the 2015 crop year to apply CCE payment eligibility rules
 - the interim LDP process for the 2015 crop year continues to apply payment eligibility and payment limitation rules as applied in crop year 2014
 - all 2015 MLG recorded through the interim MG process will be reprocessed on or about August 8, 2016, to convert to CCE provisions
- reminds State and County Offices that producers have until September 1, 2016, to file a CCC-694-2 to convert previous redemptions and commodity loan gain for the 2015 crop year to CCE's.

Disposal Date	Distribution
June 1, 2017 7-25-16	Cotton State Offices; State Offices relay to County Offices

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2 Interim MG/LDP Process Software

A Introduction

Notices LP-2216 and CN-1053 provided policy stating commodity loan gains from loan collateral exchanged with commodity certificates are not subject to the following:

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

However, CCE gains shall be recorded through the interim MG process for the following reasons:

- Commodity Loan Processing System (CLPS) does not yet check payment eligibility for loan repayments so the interim process is the only method for systematically verifying payment eligibility provisions have been met
- benefit tracking purposes.

B Summary of Interim MG Process Software Modifications

This table identifies the modifications that have been made to the interim MG process for the 2015 crop year.

Item/Program Area	Description of Modification
FSA Application Home Page	The link to access the process has changed from “MAL – Interim Market Gain Attribution” to “MAL – Interim Market Gain/Commodity Certificate Exchange Attribution”.
Payment Eligibility	<p>For crop year 2015, the process will no longer check the following eligibility provisions:</p> <ul style="list-style-type: none"> • actively engaged in farming • member contribution • cash rent tenant • AGI. <p>Note: These rules continue to apply for the following:</p> <ul style="list-style-type: none"> • MLG’s for the 2014 crop year • LDP amounts for the 2014 and 2015 crop years.
Payment Limitation	<p>CCE amounts will continue to be attributed to the producer/member that realized the benefit, but the amounts will not apply against the producer/member’s payment limitation.</p> <p>Note: The following continue to apply against the producer/member’s payment limitation:</p> <ul style="list-style-type: none"> • MLG’s for the 2014 crop year • LDP amounts for the 2014 and 2015 crop years.

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2 Interim MG/LDP Process Software (Continued)

C Handling MLG's and Commodity Loan Gains

Until CLPS can be modified to properly apply payment eligibility and/or payment limitation provisions for loan repayments, County Offices shall record all gains realized from loan repayments through the MAL – Interim Market Gain/Commodity Certificate Exchange Attribution.

Notes: The amount recorded in the interim process is the amount listed as “Market Gain” on the CCC-500M or on the repayment summary.

CLPS is projected to be modified for the 2016 crop year.

The current interim process applies the applicable payment eligibility and/or payment limitation provisions to determine whether the producer is eligible for all or a portion of the gain. However, the current software is not designed to apply 2 different sets of rules for the same crop year. As such, all transactions recorded in the MAL – Interim Market Gain/Commodity Certificate Exchange Attribution process will use the following rules:

- 2014 – market loan gain rules
- 2015 – CCE rules.

For those transactions recorded in the system before the reauthorization of CCE policy, all 2015 MLG's will be converted to CCE rules automatically. This presumes that a CCC-694-2 has been or will be filed by the producer.

Note: Notice CN-1055 provided information for obtaining a CCC-694-2 for previous redemptions to convert from MLG's to CCE's.

After the current transactions are reprocessed using CCE rules, then all new transactions recorded will only apply CCE rules for the remainder of the 2015 crop year.

Example 1: Producer A had a 2015 MLG of \$500, which was recorded in the interim process prior to reauthorization of CCE's. Based on MLG rules, the producer was not eligible for the MLG because he did not meet AGI provisions. As a result, Producer A is listed on the Nonpayment Report in the Common Payment Reports System with the message “Producer or member is not compliant with adjusted gross income provisions.”

On or about August 8, 2016, all 2015 transactions are reprocessed using CCE rules. Producer A will then be removed from the Nonpayment Report because AGI provisions are not applicable to repayments using CCE's.

Example 2: Producer A also had a 2014 MLG of \$1,000, which was previously recorded in the interim process. As in Example 1, the producer does not meet AGI provisions and is listed on the Nonpayment Report.

The rule change for 2015 does not affect the 2014 transactions even though they were recorded through the same process. The producer is not eligible for the 2014 MLG and will continue to be listed on the Nonpayment Report.

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2 Interim MG/LDP Process Software (Continued)

D Reconciliation

As provided in Notice CN-1055, subparagraph 2 B, the deadline for obtaining a CCC-694-2 for previous redemptions and MLG's for the 2015 crop year to be converted to CCE's is September 1, 2016.

Following that deadline a reconciliation process may be necessary to identify producers that did not file a CCC-694-2. For producers not electing to file a CCC-694-2, some action will be necessary to reapply the MLG rules to applicable transactions to properly apply payment eligibility and payment limitation provisions.

Depending on the number of producers that do not file a CCC-694-2, the workload for this effort may be significant for staff at the National, State, County Office levels. But these efforts **must be completed no later** than October 1, 2016, in the event an ARC/PLC payment is earned.

To avoid as much reconciliation as possible, County Offices shall make all efforts to ensure producers are notified of the need to file the CCC-694-2.

E Interim Process User Guide

The user guide for the interim process will be updated and posted to the DAFP Intranet Home page at <http://fsaintranet.sc.egov.usda.gov/dafp/>.

Note: The procedure in the user guide is in the process of being added to 16-PS. However, a projected publication date has not yet been identified.