Arkansas
Farm Program Fact Sheet *Revised* ***July 2004***

Loan Deficiency Payments (LDPs)

Loan **D**eficiency **P**ayments (commonly called LDPs) are payments made to producers who, although eligible to obtain a CCC loan from the Farm Service Agency, agree to forego the loan in return for a payment.

In order to be eligible for a payment, you must request an LDP while maintaining 100% beneficial interest in your commodity. In order to maintain beneficial interest, you must have title to, control of, and risk of loss of the commodity. Just because you have not been paid does not necessarily mean that you still have beneficial interest in the commodity. Beneficial interest is a complex issue. If you plan to request an LDP on production stored in an elevator or warehouse, visit with your local Farm Service Agency to discuss your situation and find out when FSA determines that you lose beneficial interest. This is not necessarily when you, the buyer, the ginner, or the warehouse think you lose beneficial interest. Do this prior to delivery; or ginning, in the case of cotton. Entering into a verbal or written contract does not, in itself, make you lose beneficial interest. FSA reviews the terms and conditions of the contract to determine when beneficial interest is lost. If you have entered into a verbal or written contract, we encourage you to review the terms and conditions with your local FSA office.

Other eligibility requirements which must be met for LDPs, besides beneficial interest, are as follows:

- an acreage report filed for the current year on all cropland on the farm
- an approved Form CCC-502 (Farm Operating Plan) on file
- Form AD-1026 on file (Highly Erodible Land Conservation & Wetland Conservation Certification)
- Form CCC-526 on file (Adjustment Gross Income Certification)
- shares in the risk of production
- producer must not owe a delinquent non-tax federal debt

A farm does not have to be participating in the Direct and Counter-Cyclical Program in order to be eligible for loans and LDPs.

LDPs are available on corn, cotton, grain sorghum, honey, oats, barley, rice, soybeans, wheat, peanuts, wool, mohair, unshorn pelts, sunflower seeds, pulse crops and minor oilseeds when the "CCC-determined value" falls below the loan rate. They are also available if these commodities are harvested as other than whole grain, such as silage and hay. Contact us for more information. For cotton and rice, a national CCC-determined value is announced weekly. For most of the other commodities, the CCC-determined value is the daily market price minus the county location differential minus any differential posted with the daily market price. When the CCC-determined value is less than the loan rate for a county, the difference between the two is the LDP rate.

The CCC-determined value is subject to change daily at 6:00 A.M. Central Time for corn, soybeans, grain sorghum, wheat, oats, and each Friday at 6:00 A.M. Central Time for sunflower seeds, pulse crops, and minor oilseeds. For rice, it is subject to change each Tuesday at 2:00 P.M. Central Time. (For rice, there is a one hour dead period prior to the price announcements where applications cannot be accepted.) For cotton, it is subject to change each Thursday at 11:01 P.M. Central Time. For peanuts, wool and mohair, rates are subject to change each Tuesday at 11:01 P.M. Central Time. Honey changes on the last day of each month at 2:00 P.M. Central Time. The CCC-determined values can be obtained:

- at your local FSA Office
- from most buyers, elevators, and gins
- on the Internet at http://www.fsa.usda.gov/dafp/psd
- for honey, http://www.fsa.usda.gov/ao/epas/dsa/honeyprice.htm
- for wool and mohair, http://www.fsa.usda.gov/dafp/psd/MKTPRICLEAN1.htm

LDP OPTIONS

There are two options available in requesting an LDP:

Option 1) ***Form CCC-709*** used prior to harvest [Rate based on the date of delivery or in the case of cotton, the date of ginning]
Available for producers who:

- will lose beneficial interest in the commodity at harvest when the commodity is delivered directly from the field to a processor, buyer, warehouse, wool pool, or cooperative
- want to receive LDP on commodity based on the date delivered directly from the field to a processor, buyer, warehouse, wool pool, or cooperative
- immediately feed the commodity during harvest.

Option 2) ***Form CCC-633 LDP***; (or Form CCC-Cotton AA for cotton) used after harvest (after ginning in the case of cotton) [Rate based on date of request]

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LDP Option 1 Details:

FORM CCC-709: [Field Direct to the elevator, warehouse, gin or mill]

- each quantity delivered is locked in at the LDP rate in effect on the date of delivery [for cotton, date of ginning] for the county where the farm records are kept
- must be signed on or before the date of harvest on a fully completed CCC-709 with all applicable signatures;
- may be entered into after harvest begins but will not include production previously delivered;
- cannot be used for quantities being stored on the farm.
- may be limited to: 1) a certain quantity, 2) production delivered to a certain location, 3) production from certain farm or farms, or 4) quantities delivered for immediate sale only. [The immediate sale option is not available on cotton.]
- production delivered on a weekend or holiday receives the rate of the last workday prior to the weekend or holiday
- a certification, scale tickets, load summary sheet, evidence of sale, or warehouse receipts must be provided. [For cotton, a gin tag listing or warehouse receipt is required.]
- If the LDP rate is zero for the date delivered, you have used up your eligibility on that quantity. You will not be eligible to receive a loan or an LDP on that quantity.
- may be revised at any time to discontinue the CCC-709 from that point forward. Any production harvested and delivered (ginned in the case of cotton) prior to the date of revision is locked in under the CCC-709. An LDP on any production delivered from the date of revision forward may be requested on Form CCC-633 LDP (or CCC-Cotton AA for cotton) any time thereafter as long as it is done before you lose beneficial interest.

LDP Option 2 Details:

FORM CCC-633 LDP [or CCC-Cotton AA for Cotton]: [Farm or Warehouse-Stored]

- the LDP rate is locked in on the date that the completed CCC-633 LDP or CCC-Cotton AA is signed and received by FSA, for the county where the commodity is stored
- must be requested *after harvest (after ginning, in the case of cotton)*
- may be used for farm-stored production
  - may be either certified by the producer or measured by FSA for a service fee.
  - if measured, the producer may request that the measurement be considered final production.
- There are provisions that allow a producer to lock-in an LDP rate on seed cotton stored in modules or trailers for the purpose of obtaining a subsequent LDP after ginning. Contact us for more information.
- may be for elevator/warehouse-stored production
  - may be made using a scale ticket, load summary sheet or warehouse receipt. (If these are provided, then the LDP is not subject to spot-check.) For cotton, a gin tag listing or warehouse receipt is required. [The scale ticket must be from a commercial facility.]
- may be certified. (Does not apply to cotton). A scale ticket, load summary sheet, warehouse receipt, or evidence of sale will be required, when selected for spot-check.
  - If the County Office has reason to question the quantity certified or beneficial interest, production evidence and proof of beneficial interest will be required.
  - If it is found on a spot-check that additional production existed, an additional disbursement cannot be made. If the producer maintains beneficial interest at that time, a new LDP application can be filed and disbursed on the date of the new application.

Overview

If a CCC-709 is signed prior to delivery, it can be used to lock in each load on the date delivered directly from the field to an elevator. In the case of cotton, it locks in each bale based on the date ginned. After harvest, you must bring in all information on quantity delivered or ginned and the dates. If you are losing beneficial interest *at delivery*, the CCC-709 is the only option you have. If you maintain beneficial interest *after delivery*, you must file a CCC-633 LDP (CCC-Cotton AA, for cotton] prior to losing Beneficial Interest, if you have not filed a CCC-709 prior to harvest. The key to using a CCC-633 LDP (or the CCC-Cotton AA) is to know when FSA determines that you lose beneficial interest and to file a request *before* that time. The final date to apply for LDPs for the 2004 crop year is as follows: January 31, 2005 for peanuts, wool, mohair and unshorn pelts; March 31, 2005 for wheat, oats, honey; and May 31, 2005 for cotton, rice, corn, grain sorghum, soybeans, pulse crops and sunflower seeds.

When production evidence is required to be submitted, it must include the producer's name; crop year; commodity; class, (if applicable); net weight for grain sorghum, peanuts, oilseeds and rice; net bushels for corn, oats, soybeans, and wheat; and date of delivery, as applicable (date ginned for cotton). If sold, proof of payment and date of sale is also required.